

IMPORT DIRECT FROM CHINA AND MANY OTHER COUNTRIES

IMPORT DIRECT FROM CHINA and many OTHER COUNTRIES

3.0



YOUR GUIDE TO FINDING
the **best suppliers, best products,** and **best prices**
and how to **easily organize** the **importing procedure**

Walter Hay & Jim Cockrum

Import Direct from China and Many Other Countries

Your Guide to Finding the Best Suppliers, Best Products, and Best Prices
and How to Easily Organize the Importing Procedure

WALTER HAY & JIM COCKRUM

IMPORT DIRECT FROM CHINA AND MANY OTHER COUNTRIES

Copyright © 2017 ProvenChinaSourcing.com

All rights reserved. No part of this book may be reproduced in any form without express, written permission from the authors.

A note from the primary author, Walter Hay:

This guide is the product of my long personal experience. It is not a rehash of someone else's work, nor is it a result of a research report such as those churned out in their thousands by poorly paid freelance writers. Big numbers of Internet marketers sell e-books on subjects that they really know very little about, some even pretending to be experts with experience.

I have been importing since 1987 and I have visited China and many, many other countries numerous times. Prior to commencing my importing business, I was exporting my own products to Asia/Pacific countries, including Taiwan, where my biggest customer was located.

While my heart bypass surgery has slowed me down physically, it has not affected my brain. As a result, you get the benefit of my wide experience in down to earth, practical advice. In this book, you will find an invaluable step-by-step check list that if followed, will greatly reduce your risks and help increase your profits.

I could have doubled the size of this report with unnecessary words, but I have kept it as brief as possible while ensuring that you have all the information you need to start your own profitable importing business.

A note from co-contributor, Jim Cockrum:

It's an honor to partner with Walter on this book. While nearly all of the content is his, I've added in a handful of resources and some basic suggestions based on my background in helping online entrepreneurs run successful online businesses. My team and I have helped thousands do just that since 2002, and our reputation & results are second to none.

As promised - this book is primarily about how to *source* products. It's not about exactly WHAT to source nor is it an in-depth manual about HOW to sell it. Those topics are covered thoroughly in other places such as the all-time best-selling "how to" course about selling on Amazon.com that my team and I created at ProvenAmazonCourse.com. *As a reader of this book you get a great discount on that course if you don't have it yet.*

Over the years I've uncovered numerous legitimate strategies for finding profitable products to sell, and I'm proud to have now found and partnered with a foremost authority on importing. Walter, my team and I stand by ready to help you with any questions you might have!

- To discuss questions that might be of interest to our community of online entrepreneurs, please join our Facebook group here: Facebook.com/groups/mysilentteam/ and post your thoughts and questions.
- For individual email support, use the contact info found at JimCockrum.com on the "contact" page.
- For individual coaching please visit: JimCockrumCoaching.com.

TABLE OF CONTENT

1 IS IMPORTING COMPLICATED?.....	7
2 GETTING STARTED	9
3 RULES AND REGULATIONS	13
4 FREIGHT	22
5 UNDERSTANDING AGENCIES AND DISTRIBUTORSHIPS	26
6 STANDARDS	28
7 PRODUCT SOURCING	30
8 ALIBABA.com.....	33
9 GLOBALSOURCES.COM.....	38
10 MY PREFERRED B2B SOURCING PLATFORMS.....	40
11 HOW TO GET SUPPLIERS TO COME TO YOU.....	47
12 ASSESSING SUPPLIERS	48
13 SAMPLES AND SMALL ORDERS	58
14 CALCULATING ACTUAL COSTS	63
15 PAYMENT TERMS	67
16 TRAVELING TO SOURCE SUPPLIES	71
17 ORDER PROCEDURE AND CHECKLIST	78
18 DROPSHIPPING EXPLAINED.....	81
19 COUNTRIES OTHER THAN CHINA?.....	84
20 “JUST IN TIME” ORDERING SYSTEM	93
21 SOURCES OF FREE INFORMATION.....	95
22 FULFILLMENT SERVICES	97
23 AGENTS, TRADERS, WHOLESALERS – Definitions	99
24 MANUFACTURERS NOT WHOLESALERS OR TRADERS – WHY?.....	101
25 BUSINESS REGISTRATION and TAX ID	103
26 BUYING LOCALLY	104
27 CAPITAL REQUIREMENTS FOR IMPORTING.....	106
28 INSPECTION SERVICES	107
29 CERTIFICATES	109
30 MINIMUM ORDER QUANTITIES (MOQS), HAGGLING, AND DISCOUNTS FOR BIG ORDERS	112

31	QUALITY.....	114
32	PUBLIC HOLIDAYS	118
33	GLOSSARY OF TERMS	119
ADDENDUM		125



1

IS IMPORTING COMPLICATED?

The short answer is that it can be, but by following the methods I set out for you it will be easier than you can imagine. I simplify the process for you without any mumbo-jumbo. In preparing this article, I looked at what importing guides are available online, and found that some of the information is misleading, much of it is out of date, some uses jargon that is not explained, some is unnecessarily complicated, and much of it is designed to try to get you to use someone else's services as "facilitator" or "sourcing agent." They do this by giving the impression that if you try to do it yourself you are risking disaster.

To minimize competition, importers like to maintain secrecy about their methods. They try to give the impression that you need a degree in importing as well as knowledge of endless rules and regulations. The reason behind this is that many importers hope to act as wholesalers to sell products to you in bulk. They then expect you to sell those products to the end user for a profit. ***There may be times when you would go to such people, but I will tell you more about that later.***

This book is based on the idea that if you know what kind of products you want to import, and you know how or where you are able to sell them, ***why not have all the profit for yourself?*** Why pay those

importers? Why not do the importing yourself?

So, you think it's too hard? Don't let the established importers fool you. Don't be fooled by people promoting their sourcing services on their "helpful" importing blogs. Don't be discouraged by looking at official customs and excise websites where you will find endless details telling you about the rules and regulations. Soon you will find out how easy it really is to do your own importing.

Having suggested that sourcing agents don't provide a lot of benefit, I would like to add that in some cases, using a sourcing agent can be your best choice. In general, it is not worthwhile to use agents for small orders, but if you are considering orders to the value of \$10,000 or more, it could prove to be very advantageous.

I have often been asked to recommend a sourcing agent in China, but I have never previously been satisfied that they provide value for money. After lengthy discussions with some of my contacts in China, I have found two agents that I can confidently recommend. The first one, Middle Kingdom Imports: ProvenChinaSourcing.com/agents is only for large orders, and the second one, Guided Imports will handle smaller orders as well as large ones: guidedimports.com/?ref=6.



2 GETTING STARTED

You should remember that the easiest part of your importing business will be finding goods to import and then actually importing them. The harder part is selling the products while making a good profit. I have to assume that you know at least the basics of operating a business. If you have no previous business experience it would be advisable to seek advice from someone who can teach you the basics of selling online.

This is why I've partnered with Jim Cockrum. If you want to run an online business and you are brand new to selling online, a great place to start is Jim's Silent Selling Machine book.

I do not set out in this book to give advice on how to operate a business, nor do I offer legal advice, and I make no claims regarding the likely success or profitability of any venture engaged in on when using the information in this book. This report is intended to show how you can locate suppliers of goods to import, and how to do the actual importing.

You need to know what your objectives are and how you will achieve them. I am assuming that your objectives are to import goods and sell them for maximum possible profits, so what do you need to work out first?

2.1 What products or category of products do you want to import and sell?

However you approach the issue of choosing which products to sell, you should always take into account the total cost of the goods, **plus** the cost of selling them. Cost of goods can be calculated as I show in Chapter 14. For cost of selling, some of the costs will be your advertising, Amazon or eBay listing fees, PayPal fees, packaging, and also freight to the customer. There may well be others, but you need to think carefully about that so that you can be confident that your buying price is low enough to ensure a good profit.

A good example is Amazon.com. If you use the Amazon.com fulfillment service (called FBA or Fulfillment by Amazon) to sell your products and ship your goods you can expect about 30% of your selling price to be eaten up by fees. The benefits of selling using FBA far outweigh the extra costs IF you are good at finding the right inventory at the best price.

Profits are made more by your buying process than by selling. If you buy products at a good price and for some reason sales are not as good as you hoped, you can sell them at a discounted price and still make a profit, **provided** you have ensured that you have a big enough profit margin.

It is best to get to know everything possible about the products you have decided on so that you can be sure that you are buying the right ones. It would be a great pity if you chose to import a slightly different model of something, and that model does not sell as well as the other. Later I will show you where you can look to locate a mind-boggling range of products to choose from.

2.2 Avoiding the pitfalls of trying to buy and resell Hot Selling products.

If you want to sell in a field with little or no competition, rather than jump on the “hot seller” bandwagon, there are a couple of ideas you could consider:

221 Sign up for Jim Cockrum’s Proven Amazon Course where you will learn how to find out about products that people are searching for, but are not being sold on Amazon. Look for the *Proven Performance Inventory* course a little way down from the top of the page.

222 Regardless of what country you are in, you can avoid competition by the simple means of only buying products that have not been marketed before in your country. I expect that the reaction of most people will be to ask: “HOW do I find such products?”

There are several ways that can work for you. **My first suggestion** is to simply ask prospective suppliers: “Have you ever sold this same item to the US, UK, German, Singapore, Brazil, etc. etc.,) market before?” (Nominate your chosen market.) If they have, you look for other products from other suppliers.

This leads to **my second suggestion**. This method may worry some in view of the warnings I give about

unreliable suppliers, but I consider it worth doing *provided you take extra care* in your due diligence.

There are so many products out there that have never been exported. It is possible to find them. Even suppliers in China have unique products, but it requires persistence and some extra work. When searching B2B sites, go past the first few hundred or few thousand suppliers and find ones that have no bells and whistles such as Gold, Verified, 5 Star, Premium etc. symbols next to their name.

Those suppliers you will find by this method are generally the smaller manufacturers, some with little money to spend on advertising or buying status badges, some with little or no experience in exporting, and others just dipping their toe in the water to see if it is worthwhile. They are more likely to be the ones who have products not yet sold outside China. The more difficult it is for you to find suitable products and suppliers the more difficult it will be for potential competitors.

Search through the unverified suppliers on www.HKTDC.com. To see them you do a product search, then go to the last page at the end of the category. If there are unverified suppliers, that is where you will find them. You might find more by working backwards from that last page. The reason I suggest this procedure is that manufacturers that have not previously exported will often take up a free listing to “test the waters”. This means they will be unverified, but it also means that very few people will want to deal with them.

To find unverified suppliers on made-in-china.com, under Business Type, click on Individuals/SOHO. There you will find the small fry.

These would-be exporters could well have products that have not been seen before in your market.

My third suggestion and perhaps the most effective way to find unique products or at least ones that have not yet appeared for sale in your market is to search interesting product categories in sites listed in Chapter 19 Countries Other Than China. I have considerably expanded those search options in this edition.

Note: In order to minimize freight costs, both from your overseas supplier and also to your customer, you should concentrate on lightweight products that are not bulky in size.

2.3 Starting small.

I have had quite a few people tell me about their success stories after starting off with only \$300 or \$500, but if I was starting off again, I would like to have at least \$1,000 to spend on inventory. Starting small can be a slow process, but here is how it works:

If you have selected a product that you are very confident will sell, and you know the price that it will most likely sell at, as well as your selling costs such as advertising, postage to your customer, eBay, Amazon, and PayPal fees, that will tell you the maximum landed price you can afford to spend on buying the product.

To work out the landed cost you should first get the total of the unit price + freight. Then add the duty calculated on that total. Remember that in most countries there will be duty exemptions for shipments below a certain value. It varies of duty, add Sales Tax. This final total is your landed cost.

If the final figure is at **or below** what you have worked out as the maximum affordable landed cost, you can then proceed to check out a sample or multiple samples. If you have thoroughly researched the manufacturer, you might choose to import a small quantity as a sample shipment in order to reduce the freight cost per unit. Freight on single samples can cost almost as much as freight on 10, 20, or 50 items. See Chapter 13 regarding placing small orders,

You start selling after checking the goods, and assuming you have done your homework properly you should be getting profitable sales. You need to put aside as much of the sale proceeds as possible, ready for placing another order. If sales continue to be good, you rinse and repeat until you have built up your business to the point where you can a) take out some profit and b) order some other product/s.

2.4 How are you going to sell your products?

There are many different ways such as eBay, Amazon, Craigslist, direct sales from your website, flea markets, home party plans, your own retail shop front, etc. It is not for me to know which will suit you best. I hope you have already given a lot of thought to this vital subject because there is no point in importing the cheapest and best widgets in the world if you cannot sell them.

Again, this is why I've partnered with Jim and I am happy to refer you to his Silent Selling Machine book or his Amazon selling course found here: [Proven Amazon Course](#)

2.5 How much time and money can you put into this new venture?

For at least your first order the suppliers will require payment or at least part payment in advance. I will explain later how to do this as safely as possible and I will also show how you can avoid outlaying the very large amounts most suppliers require for minimum orders.



3 RULES AND REGULATIONS

This is where your first worries are over. Yes, it is true that there are huge books written covering the rules and regulations dealing with importing, but I am about to show you how little you really need to know.

Why not use the knowledge that other people have learned by reading those huge books and getting university degrees in importing? Some of the e-books and blogs I have seen about starting an importing business are loaded with well-researched information that is in my opinion more appropriate for a person wishing to become a Customs Broker rather than for a person starting up a small importing business.

If you own two or three dogs and use them in your business as guard dogs, you do not study to be a veterinarian in order to keep them healthy. Instead you use the services of a specialist, and that is exactly what I am advocating. You have to pay for their services, but think of the time and effort it saves you.

3.1 Customs Brokers.

This section is primarily concerned with consulting Customs Brokers for advice. It is usually not necessary to engage the services of a Customs Broker for handling Customs clearance of your shipment.

This is because almost every freight forwarder, as well as every air courier service employs in-house Customs Brokers.

Customs Brokers can advise on such things as whether you need licenses or permits. As a general rule, in most Western countries anyone can set up in business as an importer. Other than for certain restricted goods, *in most countries you do not need a license or permit to be an importer*, although you will usually have to obtain an importer's registration number which will appear on all of your customs clearance documents. Your Customs Broker (or Air Courier – see “*When you do not need a Customs Broker*” below) knows about this and will obtain the number for you when your first shipment has to be cleared. That registration number stays with you for as long as you continue importing, and it helps speed up the clearance process.

If you can't find that number on the documentation provided by your broker after the shipment has been delivered, I suggest that you ask for it. It will be of value to you later if you do any clearance work yourself.

If you are importing to the UK, before placing your order you should obtain an EORI which can be done easily online here: <https://www.gov.uk/eori>.

In many countries, quotas apply that restrict the volume of imports of certain items. It may be the case that such goods may be imported in unrestricted quantities from certain favored countries. I suggest that you make inquiries with a broker or through your official Customs office at an early stage to ascertain whether you need licenses, quotas, or permits.

Chances are that you will not have to worry about goods that might be banned, restricted or subject to quotas. Few consumer goods would be restricted so you have a huge scope to choose from. But just in case you think you have a market for goods a little out of the ordinary, I have included this section on restrictions.

Restricted goods will obviously include alcohol, tobacco, wildlife products, motor vehicles, firearms, explosives, and munitions, but *other items where quotas or strict quarantine rules may apply* can include food, agricultural goods, fertilizer, steel, clothing, textiles, and footwear.

Instead of trying to sort out the volumes of regulations involved, it would be easier, and probably safer, to ask a Customs Broker's advice in relation to the product type you are considering. If in doubt about whether you need a license, permit, or quota, a Customs Broker can advise you or you could contact your nearest Customs and Excise office. In Canada and the USA, I have found the Customs office to be very helpful, but in other countries, including the UK and most EU countries you may get no help from them at all. That is when you *must* consult a Customs Broker.

While I am not giving advice on general business operation, even if it is not legally required for you to be registered as a business, it will usually make it easier for you. You also need to ensure that you know what rules apply to sales taxes and other income taxes.

A Power of Attorney may be required by your broker or Air Courier, and in some countries, even the

postal service will require that. The purpose of a Power of Attorney is to give the relevant person the authority to make declarations to the customs authorities and to sign documents on your behalf. One very important part of customs regulation that applies in every country is that you the importer — and not your Customs Broker — will be ultimately responsible for any breaches of law in relation to the importation of the goods.

For this reason, you need to be sure that your broker is appropriately qualified and licensed.

It would be wise to not only check their license credentials, but also ask for references and then *check* them.

Brokers must be licensed in:

- Australia
- Canada
- Costa Rica
- India
- New Zealand (Where they are “Accredited” after passing exams conducted by the Customs Brokers and Freight Forwarders Federation.)
- Pakistan
- Philippines
- USA

Vietnam (In Vietnam Customs Brokers must be listed with the Customs Authorities. They appear to have greater personal responsibility for errors, and so they might be inclined to ask the same questions more than once.)

If importing into some countries notorious for red tape, such as Brazil or India, I would always choose to have a Customs Broker handle the clearance work.

3.2 To Find Customs Brokers:

For importers in the USA: USCBP has a list of licensed brokers that can be found at: <https://apps.cbp.gov/brokers/index.asp?portCode=2704>. You will need to use your browser search facility to locate one in your city or region. Note that some of those listed are freight forwarders who employ Customs Brokers.

For importers in Canada: CBPA has a list of licensed brokers that can be found at: cbsa-asfc.gc.ca/services/cb-cd/cb-cd-eng.html.

For importers in the UK: In the UK the most commonly used term is Customs Clearance Agents. They are not required to be licensed, and there are no lists published. A search in the location “UK” (no specific location) in Yell.com will yield over 200 listings, and most are freight forwarders.

For importers in other EU countries: Only Italy and Greece have associations listed by IFBCA (see

below), so importers in those countries will need to search via Google or Yellow Pages. Most will be freight forwarders.

For importers in other countries: The International Federation of Customs Brokers Association lists the national Customs Brokers' associations in a number of countries. You can use the links next to the association in your country in order to locate brokers there: ifcba.org/List_of_Members. You will need to translate the pages that open in the list. If your country is not listed you will need to search via Google. For countries that do not have any listings on the IFCBA site, I strongly advise that you check on the qualifications of any Customs Broker you consider consulting.

Although freight forwarders usually employ Customs Brokers on their staff, they may not be willing to handle clearances unless you have arranged shipping through them.

You must be sure that all information supplied to the broker, air courier, or postal service is true and correct. The Power of Attorney does not extend beyond their role as your Customs Broker. **This is one rule you must learn.** You are legally responsible for the facts declared in any declaration lodged for clearance purposes. Even if your broker makes an error, **you are legally responsible.**

One area that few consider in this respect is declared value. It is almost universal practice for Asian suppliers to under-declare the shipment value, or declare the goods as a gift, thinking they are doing you a favor. Chinese suppliers will do it routinely unless at the time of placing the order you firmly tell them not to. The majority of importers insist on them showing false values.

It is a serious crime to understate the value. With duty rates in most cases now being so low, I cannot understand why anyone would take the risk. When I first started importing, average duty rate was around 15%. Now that the world is a global village, average duty rates in many parts of the world are around 5% (in the US 5.63%.)

Here are a few things to be taken into account:

- Understating the value is illegal and can result in severe penalties. One of the lesser penalties is the flagging of your name and address for thorough inspection of every shipment thereafter, with long delays and extra cost often resulting.
- Numerous suppliers have also been flagged for understating values, with the result that every shipment they send is delayed at the port of entry.
- Customs officials are not stupid; they see huge volumes of invoices; and they have a good idea of real values in many cases.
- Unless substantial undervaluing takes place, with average duty rates now being so low, the saving would be very small even on a high value order. Rates are continually falling, mainly due to Free Trade Agreements.

- The ways you can get caught are:
 - a) A customs official becomes suspicious.
 - b) A supplier is known to Customs.
 - c) A competitor might complain. Not very likely unless you have one or two major competitors who are tracking your shipments. That is relatively easy to do if they know your trading name.
- Insisting that suppliers declare full value enhances your standing with them. They may think you are crazy, but they will respect you.
- You can sleep more soundly.

If shipping documents arrive in advance of the shipment reaching your country, you should check the invoice value, and notify your broker if the value is not correct.

3.3 When you do not need a Customs Broker.

If you use international air courier services they normally carry out customs clearance work for you as a normal part of their service. They also obtain an importer's number for you. It is ***very important that you know in advance*** whether or not the cost of clearance work is included in their door-to-door service. See very important information on this subject in Chapter 4 - Freight.

Another way to avoid a lot of red tape is by limiting the value of each consignment and having it shipped via EMS (International Express Mail Service). This service has different names in different countries. Provided you do not exceed a certain value per parcel, the postal service will do the calculations for you, lodge the customs forms, and deliver to your address. All this is usually free of charge. You pay any duty and taxes due when you collect the goods from your postal service.

Check with your Customs and Excise office to find out what is the maximum value per shipment under this scheme. For some items entering the USA, it is \$2,000.00 at time of publishing, but for others it is only \$250.00. The UK is the toughest one I know of, with a limit of £135. Some countries have more generous allowances and others do not allow any goods to be imported under such a scheme.

Note: If you use this scheme, avoid having more than one parcel dispatched on any one day. You should instruct suppliers to leave ***at least*** 3 days between shipments, otherwise they may be regarded as one shipment and Customs would then require you to lodge a Formal Clearance. If that ever happens, the easiest course is to call upon the services of your Customs Broker rather than attempt the Formal Clearance yourself. Believe me; you do not want to try doing a Formal Clearance yourself. Your broker can do it electronically in minutes, but it could take you hours, even if you get it right on the second or third try. You will almost certainly get it wrong the first time.

Using the services of freight forwarders can also mean you don't need a Customs Broker.

3.4 Freight Forwarders.

It would be unusual to find a freight forwarder that doesn't employ a Customs Broker or at least have a

reciprocal arrangement with one. They will sometimes be better for you to work with rather than a specialist Customs Broker. This would most often be the case once you move into shipping by sea freight. Also, in many cases you will find that freight forwarder can obtain better rates for shipment by air than either you or your supplier could negotiate, but this applies to air cargo, not air courier shipments. See 4.1.

Freight forwarders can organize the shipment from your supplier to you, and they can handle all the procedures including customs clearance for you. Their work can end at the warehouse in your home port, or when the shipment is delivered to your door, depending on the arrangement you have with them.

They can become responsible for your shipment at any stage, but usually it would be either at the supplier's factory loading dock (if the order correctly specifies EXW, or incorrectly specifies FOB Factory which many Chinese suppliers use instead of EXW), or more usually at the shipping port of departure, such as Shanghai or Hong Kong, (if the order specifies FOB.) See 33.8 and 33.9 for meaning of these terms and also the special warning in 33.9 relating to FOB. That warning is *very important*.

I strongly advise against employing Chinese freight forwarders. I have received numerous reports about shipping delays, but the worst cases have involved **holding your shipment for ransom**. This is done by a process of gradually imposing extra charges that were not quoted for. Unless you pay up, your shipment won't arrive. The quotes you have received were supposedly complete, with no extra charges, but the unscrupulous forwarders couldn't care about the risk of being sued.

3.5 Finding a Freight Forwarder.

If you decide that you want to have a freight forwarder organize your shipping, it would be advisable to make sure they have Customs Brokers in-house, although almost all of them will. When choosing a freight forwarder, be sure to select one that handles international shipments on a regular basis. There are some smaller businesses that mostly handle national freight and sometimes deal also with shipments from only one or two countries.

It is not necessary to have a freight forwarder that has an office in or near your location but that can be helpful. To find freight forwarders in any country, you will find a worldwide directory at freightnet.com/directory/p1/cont/s30.htm.

If you prefer to use a small to medium forwarder, you can find a listing covering many countries at effa.com/.

Not many forwarders operate in some of the more difficult countries to service. One that does is BDP International. bdpinternational.com/. They operate in many countries and have a large number of offices worldwide. Please note that because of their large size, they might not be interested in handling small shipments.

If you intend using the services of a freight forwarder you should give the forwarder all the details of your shipment as early as possible, and certainly **before you finalize the order** with your supplier. Always provide every possible detail.

The minimum details they will want from you are:

- Description of the goods
- Type of Packaging
- Number of packages.
- Dimensions of packages.
- Total weight of the consignment.
- Place of shipment. (Pick up point.)
- Place of delivery. (I strongly recommend that should be your warehouse or home address if you store the goods there.)
- Expected date the consignment will be available.

3.6 Pickup from airport or sea port?

I have often been asked about picking up from the port rather than pay for the forwarder to handle the delivery to your premises. It is definitely possible but I would not recommend it. If picking up from an airport you may spend as much as two or three hours, but if the goods are arriving by sea, the pickup process could take you all day and sometimes you may even have to return the next day.

The main reason is that "outsiders" are not usually treated well by port workers and you may be ignored, deliberately subjected to unnecessary delays and often given wrong information. Often you may see vehicles arriving long after your arrival and leaving with a load on board long before you are attended to.

I would leave it to the forwarder to arrange delivery to your premises. The extra cost will possibly save you hours of valuable time. I strongly recommend that you always ask for quotes to be door to door and they must include customs clearance work as well as port and handling charges.

3.7 Locating a freight forwarder that can consolidate your purchases from multiple suppliers in China.

Unless you use the services of a freight forwarder that can consolidate your orders into one shipment, you will have no option but to have the orders from each supplier delivered individually. In practical terms, coordinating deliveries to a central point on one day or within a couple of days will be extremely difficult, so it will be necessary to pay storage charges until all orders have arrived for consolidation.

If your suppliers are cooperative and reliable, you can get the faster ones to hold shipment to your consolidator while you are waiting for the slower suppliers to prepare their shipments. This can save a lot on storage fees.

Here are some consolidators specializing in working in China who are capable of handling freight to your destination. They do not need to be based in China, your own country, or the destination country, but I have noted where their head office is.

You can find many others in other countries who are able to do this work also. Just do a Google search

for Freight Consolidators. Check that they can receive your parcels in China.

normanglobal.com/ – UK

dsv.com/ – Denmark

helka.com.hk/ – Hong Kong; A very capable business.

3.8 Importer of Record

Under special regulations, air couriers are permitted to act effectively as the Importer of Record on your behalf for shipments up to \$2500 in value. Those regulations permit air express couriers to clear shipments **under their name and customs bond** (see 3.9) without a Power of Attorney from the importer, up to their own discretionary value, and that value can exceed \$2,500 if the courier chooses to handle it in that manner. (Most won't.)

That system doesn't work in the case of regular air cargo or sea cargo shipments. In those cases the importer outside of the US must be registered as a non-resident importer, or he can appoint someone in the US who is willing to accept all risks and legal and financial responsibility of acting on his behalf. There are a number of logistics operators who offer this service, but it is costly because of the risks involved for them.

It is also possible, under a ruling by USCBP that a Customs Broker that has been named in a Customs and Border Protection's Power of Attorney may make entries on behalf of the exporter or his/her representative.

Check with your freight forwarder as to what they require if you are not a US resident.

3.9 Customs Bond

This is an insurance policy that guarantees that all duty, taxes, and other charges will be paid should the importer default. You can purchase a single-entry policy, or, if shipping more than once per year, it is usually economical to purchase an annual customs bond.

There are numerous insurance brokers offering customs bonds, so shop around. One that seems economical on annual bonds is bonds4customs.com/. Current price for a US\$50,000 annual bond is \$259.

Customs bonds are not legally required for shipments under \$2500 in value.

3.10 Power of Attorney

A power of Attorney is a legal document that authorizes a Customs Broker to act on your behalf in completing all documentation and declarations necessary for the importation of goods. Most Customs Brokers will have their own form for you to complete, together with proof of identity.

IMPORT DIRECT FROM CHINA AND MANY OTHER COUNTRIES

It is important to note that even when exercising a power of attorney, the broker does not bear legal responsibility for errors or misrepresentations. They remain your responsibility.



4 FREIGHT

This section could save you thousands of dollars, so please read it carefully.

Always make sure the cost of customs clearance work is included in a freight company's door-to-door service before placing orders overseas or you could be in for a very nasty and very costly surprise. Suppliers can often obtain much better freight rates than you can arrange for yourself, but if you are allowing your supplier to prepay freight for you, **insist** that your supplier pre-pay, not only the door-to-door freight, but also the customs clearance charges. Make it clear that you want a quote for Carriage Paid To. (CPT) For sea shipment it is called CFR. Otherwise the supplier will think you expect them to pay the duty and/or taxes. The quote must specify all costs involved in delivery to your door.

That payment will not include any duty or taxes, which will be paid by the broker, forwarder, courier, or postal service at the time of clearance and will be collected from you before they will hand over the goods. ***Always get quotes in writing for everything that you are going to pay for – freight, customs clearance work, handling charges, documentation charges, LCL charges, loading or unloading charges, inland freight to your destination, or any other service. There will also be standard port charges. These are: Merchandise Processing Fee (MPF) and Harbor Maintenance Fee (HMF). At time of writing, these fees are MPF 0.3464% & HMF 0.125% of the value of the shipment***

Pre-payment of freight by your supplier can eliminate *a massive risk*. The risk involves deception by freight company sales representatives. I have often seen this scam used on importers who have decided to pay for freight on arrival of the goods in the country.

This is how it works:

- You ask the freight company Sales Representative for a quote for the consignment you intend importing.
- They quote you a very good price. As a novice, you trust them and do not get a *firm* quote *in writing*. They will usually procrastinate about providing written confirmation of the quote. Meanwhile you don't want delay, so you set the order process in motion, and you have soon reached the point of no return.
- When the goods arrive, you are informed that you have to pay a massive freight and clearing charge before your goods will be released.
- You dispute the charge, but the Sales Representative claims you misunderstood. You may even have the notes you made at the time, but they will not be sufficient proof.
- You either pay the exorbitant freight charge or they take possession of your entire shipment (which you have already paid for) and sell it at auction. They may add insult to injury by suing you for the difference between the amount realized at auction and the freight amount they charged. They will probably even add storage charges.
- Meanwhile, the Sales Representative enjoys his/her big commission.

A smaller scale, but even more common scam involves failing to include surcharges and trans-shipment charges in the quote. Make sure your written quote includes any surcharges. To be safe, you should insist that the quote states that all surcharges payable have been included.

If goods are sent to you on a "freight collect" basis without any prior written quote from the carrier, you will usually pay crippling schedule rates. [See 33.16].

Note: Freight may be quoted in "Cubic Tons." This means you will be charged according to a formula that calculates a cubic ton by multiplying length times width times height of a parcel. By this method, one half ton weight of feathers would be charged as about 1000 cubic tons, and the freight would cost many times more than the value of the feathers. When you ask your supplier to quote a price for the items, always ask for details regarding packaging.

If you are paying the freight yourself and not having the freight pre-paid by the supplier, you need to know the weight of the package and the dimensions.

When requesting a quote for freight, you must tell the freight company or freight forwarder the weight and the dimensions, as well as the number of packages. Then read the quote carefully to see if you are being quoted in cubic tons. If you are, you need to have them tell you in writing how many cubic tons

the shipment will be. That is the only way you will know the real freight cost before it lands at your sea port or airport.

Cheap Freight Risk. In 3.4 above I warned against using Chinese freight forwarders because of potential scams. Another problem can be that a cheap courier rate is charged by Chinese agents for one of the big courier services, without informing you that the rate depends on the cargo being transshipped at an intermediate airport. This can result in lengthy delays.

Fedex have a China agent Goodhope Freight. If your supplier arranges freight through them instead of direct from Fedex, you will get what appears to be a bargain rate at only about 50% of what Fedex China charge direct, but the shipments are often transshipped. If you are quoted an amazingly cheap courier service, ask who would handle the shipment.

Product Size Is Important. Feathers may be an extreme example, but lightweight items can sometimes cost you more to freight than heavy items. For example, if importing watches, you will fit 100 of them in a small parcel, weighing about 22 lbs. (10 kg). In the case of plastic toys, you may only fit one or two in that same size parcel, so you will probably be charged on a cubic ton basis. Result: air freight for plastic toys is prohibitively expensive, so you must use sea freight with its long delays (6-8 weeks or even more.) Watches can be air freighted or shipped via air courier at a very low cost per item relative to their value.

Side Note Regarding Storage: The size of the product you choose will also have a substantial effect on the amount of storage space you will need.

4.1 The Difference Between Air Freight and Air Courier Services.

This is an important distinction that you must never slip up on. I often see people (even so-called “experts”) refer to door to door courier services as “air freight”. It is true that the goods travel by air, but there is a clear distinction that should always be noted.

4.2 Air Freight.

This is usually reserved for small to medium size high value shipments and is almost invariably arranged on an airport to airport basis. If you use air freight, I would recommend arranging it through a freight forwarding company.

The freight forwarder can usually offer much lower rates than the airlines themselves because they buy bulk capacity at huge discounts and in effect they then retail that capacity to shippers like you.

There are risks involved unless you thoroughly discuss the matter with the forwarder so that you are certain that you know **ALL** costs that may be involved. I suggest being wary of using air freight until you have gained some experience in importing.

There are a multitude of issues to deal with including “inland” charges by the supplier; local freight, tolls, government export charges, and then charges at the receiving end; including: customs clearance,

unpacking the special air containers, inwards airport fees, storage, delivery from airport to depot, delivery from depot to you, etc.

It is worth repeating that you must obtain all quotes in writing.

4.3 Air Courier Services.

These services are provided by the likes of UPS, DHL, FedEx, TNT, etc. They usually (*but not always, unless specified*) provide a door-to-door service, and *most often* they provide customs clearance services as part of the deal.

4.4 International Express Mail Service (EMS).

I include this because it is so often used and is in effect an air courier service conducted by the international postal services. It is in almost all cases a door to door service, although under certain circumstances you may be required to collect from a mail center. The postal service in most countries will handle clearance for you, and will collect any duty and/or sales tax payable either when you pick up or when they deliver the goods.

4.5 Evaluating different freight services for cost effectiveness.

Here I should add a note about cost effectiveness, because it can be too easy to think that the lowest freight cost per item is the one to choose. It may be, but that is not necessarily so.

You should consider what is known as opportunity cost. Faster delivery means quicker turnover of your capital, and can considerably reduce your capital cost. While I am not teaching business economics, I suggest you consider what it might cost you in lost earnings on the capital needed to pay for your goods while they are in transit. It may cost you interest payments, or it may lose interest that you could otherwise earn.

There is also the need to consider the lost sales that might result from the delay.



5

UNDERSTANDING AGENCIES AND DISTRIBUTORSHIPS

Some people see glamor in being a distributor, and others think that being an agent is the best way to sell manufacturers' products. The fact is that these terms are often misunderstood, and there are traps for the unwary. There are a number of advertisers on Alibaba, saying they are looking for agents in XXX country. If attracted by such advertisements you need to understand agencies and distributorships.

5.1 Agencies.

An agent sells products on a commission basis, and shipping costs are borne by the overseas supplier. This has the advantage for you of minimizing your cash outlay and risks, but commissions are invariably well below the rate of profits you could expect when handling the same volume working for yourself as an importer. Agencies are *rarely* granted by Chinese companies but if they do, the terms will always be heavily weighted in their favor.

You should never consider acting as an agent unless you and the supplier have signed a firm contract specifying the terms of the agreement. You should get advice from a lawyer before signing any contract but especially one with a Chinese company. You should understand that legally enforcing a contract with

a Chinese company is almost impossible, even if the contract states that the applicable law is the law of your home country.

Justin Yuang is a practicing lawyer I know in China and he has had some success in helping westerners enforce contracts with Chinese companies. He emphasizes that success rates in court are low, and he recommends negotiation instead, and he says he succeeds more often through negotiation. If you need help contact him via this email: justin@stingroup.com.cn.

I know of many cases in which a supplier employs an agent to sell in a new area or new country, and if the agent succeeds, the supplier then establishes a branch office and takes over all the business. I have even known local manufacturers who have done this. This often leaves the agent out in the cold, with little or no redress. They own all of the customer details because the customers are theirs and they have all the names and contact details. This is why you should consult a lawyer before taking on an agency agreement.

The “agencies” usually offered by suppliers on Alibaba are not agencies. They are ordinary sales deals, whereby you buy the product and resell it. You are not paid commission, and the risk is all yours. They use the word agency just to attract buyers.

Distributorships.

This term is one of the most widely misunderstood and misused terms in business. Strictly speaking, a distributor is an importer or seller with *exclusive* rights allowing him/her to be the one with sole rights to import and sell a particular product in a certain country or region.

Sole distributorships are almost *never* granted by Chinese manufacturers. Some may tell you that you have exclusive rights, but unless a carefully constructed contract is signed, such a statement is worthless.

Exclusive rights agreements are difficult to enforce, and could result in a big financial commitment on your part, so it is essential to seek legal advice very early on in your discussions with a supplier. It is common for an unscrupulous supplier to offer exclusive distributor rights in order to persuade you to place a huge initial order.

If you want to become a distributor, you must beware of suppliers who may do the same as outlined above in the section on agents. *Never* disclose your customers’ details, and do not give your suppliers any information relating to your market. If they do decide to scrap your agreement, at least they will have to repeat your hard work and you may be able to find an alternative supplier for your established customer base.

You should also avoid providing any way for your customers to identify your supplier.



6 STANDARDS

This subject is related to the rules and regulations chapter, but I have made it a separate matter because it is *very* important to be sure you remember to deal with standards when they apply to your chosen products.

You may think that a product is so straight forward that - provided you pay the appropriate Customs Duty and Sales Tax - that is all you need to think about. But that could lead you into trouble.

For example, do you know what the labeling requirements are for your product? Most types of merchandise now must show country of origin at least, but some items must have labels of a minimum size, in a specific location on the item, and with printing of a certain minimum size.

Regulations of critical importance also apply regarding safety standards for children's toys and nightwear, electrical goods, foodstuffs, machinery and others. If you fail to meet these requirements, your goods may be seized at the port of entry, or if they are delivered to you, you may be subject to legal action for selling them without meeting the relevant regulations and you may be required to undertake a costly recall.

Here are some links to FTC and FDA sites where US readers can find help to understand the rules covering product labeling in some categories:

General: <http://www.ftc.gov/enforcement/rules/rulemaking-regulatory-reform-proceedings/fair-packaging-labeling-act>

Cosmetics: fda.gov/Cosmetics/Labeling/Regulations/ucm2005194.htm

Clothing: ftc.gov/tips-advice/business-center/guidance/threading-your-way-through-labeling-requirements-under-textile

Supplements: ftc.gov/search/site/supplements%2520labeling

Canadian importers can find information here: canada.ca/en/services/business/permits/federallyregulatedbusinessactivities/labellingrequirements.html but it is much more complex than the very helpful US sites.

UK importers can look here: <https://www.gov.uk/product-labelling-the-law>

Australian importers can look here: business.gov.au/info/run/goods-and-services/selling-goods-and-services/selling-goods/product-labelling. This is really just an introductory site with links to specific information.

If you find all this daunting, there is a simple solution - Ask a Customs Broker before you place any orders. In fact, I recommend asking before you have paid out your hard-earned money to import any samples.

The small cost of a broker's advice could save you thousands of dollars. You could check all the regulations in your own country for yourself, but you could find that you are spending weeks or even months doing research and study.

Remember, Customs Brokers deal with these regulations on a daily basis and are constantly updating their knowledge. Rules and regulations change with alarming frequency, and brokers often know *in advance* when changes are about to come into effect.



7 PRODUCT SOURCING

Most novice importers take great risks in sourcing goods to import, but there are ways to reduce your risks.

Never believe the off-the-cuff suggestions you may read on forums. Many posts are made by people with vested interests wanting to profit by you going to the sites they suggest. In most cases the recommendations are made in ignorance of the risks associated with many B2B web portals (sourcing sites) that list suppliers.

The majority of B2B sites offering goods from a large number of manufacturers, agents, and wholesalers do not properly screen the businesses that offer goods for sale on their sites. The screening that is performed by some of the sites who claim to verify suppliers is often completely inadequate.

On most of these web portals, you will find a large number of suppliers claiming to be manufacturers, but in reality few of them are genuine manufacturers. A little later I deal with how to tell who really is genuine. There are quite a number of these B2B sourcing sites, as well as countless individual sites offering goods for export. I have seen a list of about 3,000 risky sites that were mostly based on big brand names. I am unwilling to name some of the big and apparently authentic sites because of the risk

of litigation.

Many more sites have opened over the last couple of years selling counterfeits or genuine big brand items that have been illegally acquired. Most are selling products purchased on Aliexpress. The prices they offer can look attractive, but the risks in importing those products are so high that I consider it to be foolish to do so.

Instead, I would suggest that you restrict your searches to the known safe sites I have listed below, but first, a couple of hints about searching. I include these because from questions I so often receive, I know that many searches fail because people don't search as well as they should.

Use American (US) spelling as well as British (UK) spelling. For example, a search for something made of **Aluminium** (UK) may not yield results, but a search on the same site for something made of **Aluminum** (US) may produce results. If you are unaware of spelling differences, you can always try misspelling your keyword.

It is worth noting that some B2B sites will not *recognize* (American spelling) a word if it is spelled using American English and others won't *recognise* (British spelling) a word if it is spelled in British English.

You could also try thinking outside the box and use variations on your keyword, including breaking up long-tail keywords into parts.

For example, if you are looking for promotional acrylic key chains

- acrylic
- acrylic key chains
- acrylic key rings
- plastic key chains
- plastic key rings
- key chains
- key rings
- promotional key chains
- promotional key rings
- or even just promotional products.

This last one will open up a vast range of possibilities and somewhere in the search results you are sure to find promotional acrylic key chains. You will also note that I have searched using US terms: key chains, and UK terms: key rings.

Another example might help. You may want to buy a combination bath and shower made of acrylic.

Some search possibilities are:

- Acrylic tubs

- Plastic tubs
- Acrylic baths
- Plastic baths
- Acrylic showers
- Plastic showers
- Acrylic combination bath and shower
- Plastic combination bath and shower
- Combination bath and shower
- Bath tubs
- Shower tubs
- Tubs
- Showers

As a general rule, don't place any reliance on premium status badges, regardless of which site you are using. Such badges are always bought, even by suppliers listed on my preferred sites. Ignore Gold, Platinum, Silver, Premium, Preferred, Stars, or any other status badge. I will explain later what assessments can be relied on.

Much patience is required if you want to find something that might not be easily found.

Here are three safe sites where you can be confident that if a supplier is reported to be a manufacturer, it is true, but see Chapter 19 regarding sourcing on Thomasnet sites.

- hktdc.com
- made-in-china.com *NOT TO BE CONFUSED WITH MADEINCHINA.COM*
- thomasnet.com. This site is also operated by Thomas Publishing LLC. I mention them later in relation to buying products from the USA. See Chapter 19.

I have been unable to find any adverse reports in relation to suppliers listed on these sites.

If you cannot find what you want on one of these sites you may need to contact trade consuls or commercial attaches at consulates or embassies with your specific request.

IMPORTANT: Just because a supplier is listed on one of these reputable sites does not mean it is a reputable supplier. You must read Chapter 10 where you'll find step-by-step instructions on how to navigate some of the sourcing sites that I recommend and how to make buying inquiries on those sites. Chapter 19 also provides some information on navigating sites in other countries, although many of those are not very user friendly.

I have recently completed researching improvements made on the sites Alibaba.com and also GlobalSources.com. While I am hesitant to recommend them without reservation, my readers may find them helpful if used with care.



8 ALIBABA.com

Because Alibaba dominates the B2B sourcing scene, I must provide an in-depth analysis. Since listing on the NYSE they have made some improvements but there are still some areas of concern.

A major concern is that the verification process has not been improved, despite them saying that most of their suppliers are now verified. Ordinary verified suppliers are no longer listed.

Even ***Gold Suppliers*** achieve that status simply by paying an annual fee. They do not have to undergo any extra verification process. They pay their money and automatically get the badge to give the ***appearance*** that they are in some way more reliable and trustworthy than *ordinary* verified suppliers.

Here are the various levels of verification:



Onsite Check. This involves someone going to the supplier's location and checking that the business actually exists. That is the full extent of the Onsite Check.



A & V Check. This is like the Onsite Check but for businesses located outside of Mainland China, Hong Kong or Taiwan. It is supposedly carried out by an independent service, but that service is not even identified. Strangely, Alibaba say that “Verification check is mostly carried out by Alibaba.com staff and some by our third party.”



Assessed Suppliers. This is an optional extra available to China-based Alibaba Gold Supplier customers and includes verification by an inspection company such as TUV Rheinland or Bureau Veritas. Gold Suppliers who have paid for this option have assessment reports available on their profile page. *It is the only part of Alibaba's verification system that is of any value. It is important to read the complete report.*

For those of my book readers unable to locate suitable products or suppliers from other sources, and must turn to Alibaba, Assessed Suppliers are the only ones I would consider. I repeat: Read the complete report. Don't simply rely on the fact that they are displaying an Assessed Supplier badge, and be wary of putting your trust in their Trade Assurance Service. (See details below.)



Gold Suppliers. This is supposedly the ultimate qualification, but it is of no real value. Even Gold Suppliers that are apparently of many years standing might be new businesses that have taken over the name and Gold Supplier status from a failed business. With the high annual attrition rate on Alibaba and Globalsources, this is an ever-present possibility.

Changes to Alibaba's policy now mean that suppliers who fail to buy a Gold Supplier badge are not permitted to receive online sales inquiries. In effect, this shuts them off from getting any sales unless determined buyers search and locate the supplier's own website.

This also makes it more difficult to locate unverified suppliers should you choose to search for them in an attempt to locate unique products. See Ch 2.2.2. If you find any unverified businesses listed in categories that interest you, you will need to search for their website address – not their page on Alibaba.

8.1 Manufacturers or Wholesalers?

Most suppliers listed on Alibaba identify themselves as manufacturers. Of those, upon investigation, very few prove to be manufacturers.

How do you tell quickly whether they are manufacturers or wholesalers? The only way of being sure if those advertisers claiming to be manufacturers are really genuine manufacturers is to filter for Assessed Suppliers with the red tick in a blue circle. *You must also then read the assessment report to see if the inspection company has confirmed their status as manufacturers and that the report is up to date.* In a random check, I found Assessed Suppliers with long-expired reports.

8.2 Secure Payment.

Alibaba's website says: "Currently, Secure payment is only available for Wholesale orders. If you want to use Secure Payment for orders outside of wholesale you need to request the supplier draft a Secure Payment order for you.," so it is not available for buyers wanting commercial quantities. In fact, in their latest notification they say: "SECURE Payment now only available for Express Order".

The wholesale section is very similar to Aliexpress and rather like HKTDC's "Small Order" section. The "Secure Payment" system is as full of loopholes as their old escrow system, which was successfully exploited by scammers.

The biggest risk is that you might sign for a package that contains trash, pebbles, sawdust etc., and your signature satisfies the rule that you have "Confirmed delivery." Don't allow suppliers to procrastinate if you lodge a complaint. Escalate it or you will almost certainly lose your money.

Suppliers tend to delay and at the last minute offer a partial refund. You have every right to refuse, but you must be sure to act within the strict deadlines.

8.3 Alibaba's Trade Assurance Service.

I know that many people are impressed by Alibaba's Trade Assurance Service believing that it is the answer to the old safety concerns about payment. It would seem on the surface to provide a far better level of safety than the old escrow system. But ... it is not without difficulty for buyers.

I have carefully reviewed the very complex Rules for the benefit of my readers, and I find that there are many aspects to this system that mean that it is far from being the security solution that people think. Note: Since Alibaba revised their Terms and Conditions in April 2017, they now call them Trade Assurance Services Rules.

Interpreting all the Rules is very difficult because so many are ambiguous or contradictory, and important issues are not included in the Rules, but instead, many are found in the Q & A section of the Help Center at service.alibaba.com/buyer/cp/tradeassurance/guide.php.

Their opening advice reads:

Important Notice: *Please review these Rules carefully, particularly those terms and disclaimers which may adversely impact the scope of Trade Assurance Services available to you, including but not limited to those under Rule 11 of these Rules. You must review and understand them before committing to any contractual agreements subject to Trade Assurance Services.*

Rule 11 is a 2-page disclaimer stating conditions under which a buyer will not receive any compensation.

Because I know that few will bother to check out the 16 A4 pages full of technicalities, I will draw attention to some very important matters found in the Rules, **plus some important things that they do not specify:**

- Alibaba have the absolute right to decide if your money will be handed over to the supplier. There is no right of appeal.
- Trade Assurance can be either: 1. Pre-shipment coverage, which only covers you for the deposit you paid, or 2. Post-delivery coverage. This covers you for the full order amount. They say this:

“With post-delivery coverage, please check your order’s product quality within 90 days of shipment and within 15 days of the products clearing customs.” Do they mean there is a 90-day time limit from the date the shipment leaves the supplier premises? Does that 90-day period include the 15 days after clearing customs or is the time limit 90 + 15 days? Don’t rely on your supplier’s interpretation of this ambiguous clause. Get an answer in writing from Alibaba.

- **IMPORTANT!** If the goods have been delivered there is no possibility of making a claim unless you have arranged Post-delivery coverage. Unfortunately, they do not specify what "delivered" means, but that could depend on the terms of the contract. According to Incoterms rules, if FOB, the goods have been delivered when loaded on a carrier. If EXW, the goods have been delivered as soon as they leave the supplier's dock. But Alibaba refer to these events as being when shipment occurs.
- **Claims that the product is faulty must be made before the goods are delivered!** My understanding of the Rules is that if you have only Pre-shipment coverage, they actually mean before they are shipped. In that case you must have a quality inspection carried out before the goods leave the factory, or prior to shipment. Currently they state that they have negotiated a cost of \$200 using SGS, BV, or TUV. The inspection cost will be yours.
- Clause 10.3 is bolded by Alibaba and underlined, due to its importance. If making a claim this clause first requires that you must *“provide effective, complete and accurate evidence, like photos and videos if a product’s problem can be proven through photos and videos.”* Put simply this clause means that should your evidence be deemed insufficient, you will have to pay for another inspection, using an inspection service of Alibaba’s choosing. They now allow you to use SGS, BV, or TUV, which will cost you about \$300 if carried out outside of China. The supplier will be required to pay for the inspection if Alibaba rule against them. This clause also highlights the requirement to precisely specify quality standards. Few importers will have the technical knowledge to do this and will have to have specifications drawn up by an engineer familiar with the particular type of product being ordered. Your precise specific requirements must be included.
- The other major point I would make is that if you pay a deposit, that will be covered by Trade Assurance provided you ask for it and the supplier agrees, but if you pay the balance before shipment, **that balance is not covered unless you have specified, and your supplier has agreed to, post-delivery coverage.**
- Before using Trade Assurance, it would be a good idea to carefully read all the Rules to be sure that you have dotted every i and crossed every t. You should also read the answers to all the questions about Trade Assurance found in the Trade Assurance Help Center. See link above.
- Data recorded by One Touch, Alibaba, and Alibaba.com constitutes almost the only evidence admissible in dealing with a claim. This means it is imperative that you keep screen shots of every transaction, every page visited, every attachment sent to you or by you, every email to or

from your supplier and to or from Alibaba and OneTouch. You can provide other supporting evidence, but it certainly appears that Alibaba will regard it as inconsequential.

- Finally, note that the English version of the rules published on Alibaba's site is not binding, only the Chinese version.

Alibaba's small order offshoot, Aliexpress now actually provides greater protection for buyers by including Buyer Protection on all transactions. As is the case with Alibaba's Secure Payment service, the big drawback is the complicated red tape involved should a buyer refuse to allow Aliexpress to pass on the payment to the seller.

Also, Aliexpress is effectively a B2C site and not suitable for building a commercial enterprise. I would never use Aliexpress for sourcing.

8.4 Aliexpress.com

I have listed this site because growing numbers of new importers have been convinced that it is a good place to find products in small quantities for the purpose of validation of marketability of a product.

Rather than use Aliexpress, I suggest you follow the procedure set out in Ch. 13. If you order more than one sample, the per unit freight cost will be reduced, and you will have sufficient items to sell in your validation process.

If you decide to use Aliexpress, you need to be aware that their Buyer Protection system has strict rules that must be followed if you are to have any hope of obtaining a refund. See Ch. 8.2.

The negligible Aliexpress verification process is the same as used for sellers on Alibaba, and provides almost no assurance of reliability.



9

GLOBALSOURCES.COM

This is the next B2B sourcing giant deserving of their own chapter.

According to an article by Bloomberg, 35% of registered vendors on Globalsources don't renew after their first year. It is worth noting that is almost exactly the same as the number who quit Alibaba.

This high attrition rate highlights the fact that it is critically important to be able to have confidence in the verification and rating system used. This is due to the fact that when vendors come and go at such a rate, that indicates that many of them could be scammers.

In the same way as Gold Supplier status on Alibaba can change hands, Star ratings can also be acquired by new businesses buying the badge of one that has failed.

I began using Globalsources for product sourcing long before the advent of the Internet. They published numerous printed product sourcing magazines, and I was a registered subscriber. There was no verification system then. If an advertiser could afford to pay, their advertisement would appear in the magazines.



Has anything changed? **NO...** I had allowed my vendor registration on Globalsources to lapse so I set out to register again recently in order to update my knowledge of their system. **The process was too easy.** Without any verification procedure, I was immediately awarded a **3 STAR** rating, about which they say: *"Start as a 3-star advertiser to win buyers' trust fast."*

Strictly speaking there **might be** a verification procedure. They say they will send a contracted person to my address to collect a check. At least that would prove that I exist. They say they will visit my premises 3 times to verify, but instead they sent me an email telling me that their representative (in another country) would phone me. I am certain that he is not going to take a flight 5 hours each way on one occasion let alone three.

Globalsources now charge suppliers US\$5,480 to become verified suppliers. Using a system almost identical to Alibaba, the verification process only covers whether or not they are a registered business appropriately registered with government authorities. Registration as a business is no guarantee of ethical behavior or reliability.

They refer to an available credit check that suppliers can pay extra for. But it is not what Westerners would understand as a credit check. The only thing it provides in relation to credit worthiness is the amount of Paid Up Capital. As you no doubt know, that is of little value in determining a company's financial stability.

There is no way of knowing whether suppliers identifying themselves as manufacturers really are such. They still allow even verified suppliers to offer big brand goods, as well as copies supplied with your own brand label. The potential risks to buyers involved in this practice are so great that in my view it casts some doubt on the reliability of the site.

Discussions with senior management suggesting ways to improve their verification process ended without them agreeing to make any changes. Note: Prior to this discussion I was well enough regarded by Globalsources that they invited me to speak at one of their major fair events. I declined.



10

MY PREFERRED B2B SOURCING PLATFORMS

10.1 HKTDC.com

Although having a much smaller number of suppliers listed than most other B2B sites, I prefer to use hktdc.com, because of the high quality of their verification and reporting system. In the case of this official website of the Hong Kong Trade Development Council, all suppliers listed as verified have been thoroughly checked out by the HKTDC. It would be rare for one of those suppliers to risk their good standing with the HKTDC by treating you unethically.



Many of the suppliers have been checked by Dun & Bradstreet to verify their true business registration, location, names of contact persons, websites, and other significant information. This is done twice a year, but bear in mind that they do not report on their financial standing. They are issued with a DUNS number. If they are displaying the D & B CHECKED sign that is good reason to believe they are safe to deal with. It is a reasonably thorough process of verification, but is far superior to the negligible checking done by other sites such as Alibaba, Global Sources, etc.

Suppliers who have advertised with HKTDC for at least 2 years are generally likely to be safe to deal with.

A very small number of suppliers on the HKTDC site are unverified. I would usually avoid unverified suppliers, but see my comments in chapter 2.1 about locating suppliers of products not already being sold in your market.



The **Compliance Verification** system put in place by the Hong Kong Trade Development Council **includes verification of their manufacturing capability** and also verification of social compliance. This means that they will satisfy the strictest rules regarding employees' ages and working conditions as well as social responsibilities.



The **Certificates Verified** label covers verification of any certificates specifically identified including:

- Product Certificates
- Management System Certificates
- Corporate and Social Responsibility Certificates
- Security Certificates
- In House Laboratory Management Accreditation

This certification removes any concern that certificates quoted by advertisers on HKTDC might be forgeries.



Sellers that qualify for this badge have been able to prove the accuracy of any claims made regarding export volumes and export markets.

HKTDC have a “Small Order Zone” on their website. Suppliers listed in this area will handle small orders at genuine wholesale prices for business operators. They will not deal with individual buyers wanting to obtain a bargain on a single item.

IMPORTANT NOTE: It is important to remember that you can usually obtain better prices right from the start by negotiating a small order from a supplier not listed in the “Small Order Zone.”

If you can't find the products or suppliers you need on HKTDC, go to my next recommended site:

10.2 Made-in-China.com

They have recently made significant changes to their rating system. Here is how the new system works:



Audited Supplier. These reports are now free of charge provided you sign up as a member. This is worth doing because these reports are an excellent help in assessing suppliers. The report is delivered by SGS, a worldwide inspection authority established in Switzerland in 1878. It was originally known as Société Générale de Surveillance. Its reputation is beyond reproach.

These reports **can, but don't always**, cover:

General Information

- Foreign Trade Capacity
- Product Research & Development Capacity.
- Management System and Product Certification
- Production Capacity & Quality Control
- Financial Position
- Working Environment
- Energy Saving and Emission Reduction
- Industry Information
- They also show photographs of the business.

IMPORTANT: The existence of an Audit Report does not automatically prove the supplier's status. Your first step is to hold your cursor over the Audited Supplier symbol. This opens what looks like a drop down menu but it is a list of the subjects I have listed above. One or all of those subjects **might** be dealt with in an audit. Only those items marked ✓ have in fact been the subject of the inspection.

Hovering the cursor over the symbol may tell you at a glance whether the supplier is a manufacturer or a trader, but **to see what has actually been dealt with** you will need to click on **Read Free Report**. If you have not previously registered, you will be asked to do so before you can open the full report.



The **License Verified badge** is of very little value. It only indicates that this supplier is registered in Hong Kong and has provided a valid license to Made-in-china.com.



The **Gold Member** badge does not add to the value of an audit report by SGS, and can be ignored. Gold member status is purchased, and as is the case with Alibaba Gold Suppliers, the badge might be passed on to a new owner when an existing Gold Supplier business fails or is sold.

In summary, if sourcing on made-in-china.com, I would only deal with Audited suppliers, **after reading their full Audit Report** except in the case of sourcing products not yet sold in my home market. See 2.1.



Secured Trading Services is made-in-china's equivalent to Alibaba's Trade Assurance scheme, but as far as I am concerned, they provide completely inadequate information about the system. As a result I cannot recommend relying on it. In case you want to, the link is here: made-in-china.com/secured-trading-services.html.

Here is what their website tells you:

Safe payment, quality control by Escrow & Inspection services, easy and low cost.

Q: What is Secured Trading Services?

A: Secured Trading Services on Made-in-China.com is to protect both buyers and sellers for secured transactions. Made-in-China.com Escrow, as the independent trusted third party, holds and disburses the payment dependently on the fulfillment of agreements by both seller and buyer. Plus, products inspection before shipping (optional) by Secured Trading Services helps you control the product quality and reduce potential risks.”

I consider made-in-china to be a valuable sourcing platform, but only when relying on a complete Audit Report.

May I remind my readers that I would never under any circumstances deal with madeinchina.com, which is a totally different B2B portal.

10.3 Trade Magazines Available.

HKTDC. They are available electronically free of charge. You can easily locate them on the HKTDC website. Advertisers are not necessarily verified.

GlobalSources.com also publishes a number of trade magazines, but you should read my comments about that B2B site before relying on those magazines for sourcing.

Registering on a trade sourcing website means that you will receive numerous emails which may be of no interest. Over time the volume of these will increase and they take up a lot of your time, even just to check them before deleting.

If you want to regularly log on to a site that ***requires*** registration, you can use a free email address specifically for registering on sites that require it. If the mailbox becomes overloaded at that address you can simply abandon it and log in to change your registration details to show a new address.

WARNING - Never be tempted to import big brand items at bargain prices. It is almost impossible to source the genuine article unless you have a few million dollars to spend, and importing copies, even in good faith will likely result in your shipment being confiscated and destroyed and you face a real danger of prosecution.

10.4 How to Search for Products and Complete Inquiry Forms on HKTDC.com and Made-in- China.com.

The enquiry form to contact potential suppliers has been changed substantially since my last revision. The *Wish List* on the product search page no longer functions so I have made the necessary changes to the instructions below.

Note: To illustrate the process I have chosen to search for silicone cupcake **molds (US spelling) or moulds (UK spelling)**. These sites recognize both, but will sometimes only present results

using your spelling, so it may widen your scope by doing a second search using the alternative spelling.

HKTDC.com

Enquiry Form. On the home page enter cupcake moulds (*use UK spelling*) in the *Products/Services* search bar. A long list of suppliers will appear, and you can choose one or more. If you want to choose more than one, check the square on the left-hand side of the product illustration.

Then after checking as many squares as you want, click on *Contact Multiple Suppliers* at either the top or bottom of the page.

A page opens showing your choices. This is the same form whether you want to contact only one, or several suppliers.

Note that the reason I recommend not including a number in the order quantity box is that by not doing so, you leave it to them to specify an MOQ.

If you have only ticked one, only their product illustration and company name will appear on the *Enquiry Form*. Below is a screenshot of the form with my notes included.

Complete the form as shown in the screenshot of the *Send Your Enquiry Form* page below: then click *SEND*.

HKTDC is no different to other sites when it comes to your privacy. Even if you don't give permission, your email address will become known to a huge number of suppliers that you have never contacted, so you might like to use a throw away address for all enquiries.

HKDTC
hktcdc.com 貿發網

Send Your Enquiry Directly To The Suppliers

To: 2 Companies (2 products)

1 A click will get numerous emails

2 Silicone Mini Muffin Cup Colorful Cake Mold
Model No.: WH-CM004
HKT Hong Industrial Co Ltd

3 Silicone Cake Cup
Model No.: GSST-213
Tradeway Indl Co Ltd

I recommend not entering a number

Also send my enquiry to ☐ other 60 Quality Suppliers who offer similar products [View All](#)

Purchase Quantity: piece Please enter purchase quantity for a price quotation.

Message Details

3 Please input in English

I use a throw away address

Tip to receive a better response:

- Introduce yourself and your company
- Provide detailed requirements (for example: order quantity)
- Mention what you want to know from supplier (for example: MOQ, delivery lead time, unit price)

Characters Count: 0 (Max. Characters: 3000)

Add Attachment No file selected. (Max. file size: 1.5MB)

5 Optional

* Business Email

* Name

4 First Name Last Name

* Company

Company Website http://

* Country/Region Please Specify:

6

Additional Contact Information - helps you establish yourself as a credible buyer

More information from you = more likely responses

Buyer Reference - improve supplier's response rate

Include hktcdc.com "Buyer Reference" in your message to help suppliers know more about you as a trusted buyer. [View Sample](#)

7

☒ Yes, please send my references (for this enquiry only)

☐ No, please do not send this time (not for this enquiry)

* Enter the Code Shown 8384

8

Optional

Unless you tick here you will get a huge volume of emails

I confirm that I have read and agree with HKDTC's [Terms of Use](#) and agree that the above information may be used by the Hong Kong Trade Development Council (HKDTC) for incorporation in all or any of its database for direct marketing or business matching purpose (and may therefore become available to the public within and/or outside of Hong Kong for use by them), and for any other purposes as stated in the [Privacy Policy Statement](#). I confirm that I have the consent of each individual named in this form to release their personal data for the purposes stated herein.

☒ Please check if you [wish HKDTC to refer your contact information to relevant registered suppliers at hktcdc.com](#)
(If you do not wish to receive any promotional materials from the HKDTC, please contact our Customer Service Hotline at (852) 1830568 or hktcdc@hktcdc.org.)

Unless you say no, HKDTC will send numerous promotional emails

[Terms of Use](#) | [Privacy Statement](#) | 貿發網09059244

Copyright © 2000-2017 Hong Kong Trade Development Council. All rights reserved.

To post a sourcing request. This form is very similar to the enquiry form shown above, so I have not included a screen shot. The old *Buying Lead Service* is no longer used and it is now called *Request For Quote*. It is not easy to locate on the website, so here is a link: Locate the HKDTC Request for Quote at hktcdc.com/rfq/rfq_form.htm.

Required fields include your Target Price and Planned Quantity per year or per order. You will have to insert a company name and if you don't have one you can invent one, but you should then use it for all future communication. Finally, click *submit*.

Made-in-China.com

Searching for products on this site is now easier than ever. I have also searched on this site for cupcake molds or cupcake molds.

Enter cupcake molds (***They use US spelling***) in the *Product Directory* search bar. A long list of suppliers will appear, and you can choose one or more. If you want to choose more than one, click on *Add to Inquiry Basket* below the *Contact Now* button.

If you choose only one, and then click on *Contact Now*, a *Send Inquiry* form will appear and show the product as well as an already completed *Subject* box. Complete the form as shown in the sample *Inquiry Form* page below:

If you have clicked on *Add to Basket* to inquire about more than one company's product,

go to the bottom right hand corner of the page where your *Inquiry Basket* appears. Click on *Inquiry Basket*. This will open the Basket where you can check the boxes next to the products you want to get information about. Then Click on *Send Inquiry* and this will open the very simple form. Complete the form and click again on *Send Inquiry*.

If you have registered and signed in, your details will automatically be sent to the supplier. If you have not registered and signed in, after you complete the form and click on *Send Inquiry* a small window will open asking for your details.

Sourcing Request

The request form has been simplified, so I have set out instructions for the new form as follows. You will need to register in order to submit a sourcing request.

To post a sourcing request, click on *Post Sourcing Request* at the right-hand end of the *Product Directory* search bar. This opens the request form where you insert details with as much description of the product/s as you want to include. You are **required** to put a figure in the *Quantity* box. I suggest that you first look for suppliers using the *Product Directory* search and see what MOQs are usually stated. You could then either insert the average MOQ, or a figure about 75% of that. You can later discuss buying a smaller number for your initial order.

If you are posting a Sourcing Request because you have been unable to locate any suppliers, just nominate what you guess might be a likely MOQ. The *Valid to Date* you enter determines how long suppliers will have to respond to your request. An expiry date at least limits to some extent the massive number of emails that you may receive.



11

HOW TO GET SUPPLIERS TO COME TO YOU

This is amazingly simple. All you need to do is post a buying request on one of the websites above, specifying the product of interest to you. You will usually receive a flood of responses, and you know that these people are keenly looking for business. Remember that they may not be “verified” or “audited” suppliers, so you will need to go back to the B2B website and see if they are.

You will need a business name, because none will respond to an inquiry from an individual. The business name does not have to be registered unless you are using it in your own country or another country in order to sell goods or services. Don’t forget that your email address will now be widely available, so I recommend using a disposable address.

If you don’t want such a flood of emails, many of which will be from opportunists who know nothing about the product you are looking for, it would be better to avoid posting a buying request. Believe me, when I say flood, I mean it can be like a tsunami and it will continue for a long time.

My preferred search method is to do a standard search for the product and look at the various suppliers that appear in the results. You can use my sample email in Chapter 13. The sites do enable you to send the same inquiry to multiple suppliers at once. Or you may prefer to follow the step by step instructions in Chapter 17.



12 ASSESSING SUPPLIERS

12.1 Are They Manufacturers or Traders and are They to Be Trusted?

I usually avoid dealing with agents or traders because they often lack influence with their supplier to ensure continued good quality and reliable service. One major exception is when an agent has exclusive rights to export a supplier's goods. Such exclusive export rights are often a result of the manufacturer not having a good knowledge of English, but you will not often find such suppliers.

Another possible exception to my rule of avoiding traders is when traders are offering extremely low prices on close-out stock. Of course, you cannot expect to place a repeat order, but it could give you an opportunity for a very good one-off profit. To find such bargains will require a lot of searching using the keyword "close-out."

It is important to remember that there is no 100% sure way of verifying a supplier without visiting them. Even then you cannot be absolutely certain in some cases. The new compliance verification system found on the hktdc.com website does a lot of the work for you, because it can confirm the supplier's status as a manufacturer. If you want to benefit by this new system you should limit your searches to Dun & Bradstreet checked and Compliance Verified suppliers. What follows in this chapter will help you do some checking for yourself.

Many companies are businesses that combine manufacturing and trading, so simply because their trading name includes words such as: trading, import, export, commodity, commodities, agency, or international that does not mean they are not manufacturers.

Note that onsite checks at HKTDC do verify production capability, and also the made-in-china.com Audit Reports provided by SGS can be trusted to identify real manufacturers.

In both cases, read the reports carefully.

If a supplier not covered by those reports claims to be a manufacturer, that should not be believed without other evidence. If they have product patents that is a good sign. Also, if they have ISO certificates for any processes, even for management systems, that is also promising.

12.2 When Visiting China.

If you plan to visit China in your search for suppliers, you should first research online and narrow down the possible list of suppliers to a manageable number depending on their location and the amount of time you will be in the country. Communicate with them frequently to help you assess their attitude to service, QC, etc. Let them know that you plan to visit, and would like to see their factory. If they won't agree to that you will have one name to cross off your list.

Take with you a supply of business cards printed in English on one side and if possible, Mandarin on the other. Exchange of business cards is more than a business custom; it is rather like a ritual. See 16.6

It is acceptable to let the potential suppliers know that you will be visiting and that you will contact them on arrival in the city where you will be staying. Having made an appointment after arrival at the hotel, check all travel arrangements necessary to be there on time. The hotel staff will usually help you with this. Take account of the fact that travel within Chinese cities can be appallingly slow. Whenever you venture out, always take a few of the hotel's business cards to give to taxi drivers for your return trip.

Once you arrive at the business premises, you will usually be greeted on arrival by someone who may appear to be a junior staff member, but it is customary for a female staff member to be appointed as your hostess. She will speak good English and her mission is to make you feel like an honored guest while observing strict propriety.

She will often have some authority to negotiate, but price negotiations on the first contact are not desirable. Do that later in your visit, or even later on your return home. Visits are usually restricted to the reception area, where you usually drink Jasmine flavored green tea. If you empty your cup, it will be refilled, so unless you love Jasmine flavored green tea, you should only take very small sips. Don't ask for coffee unless a younger host who is more modern offers it.

If your prospective supplier is impressed by you, that could result in your visit lasting a couple of hours. If they invite you to lunch, that can take as long as 3 hours.

After a suitable time, which you will have to judge by the flow of conversation, you should ask to visit the factory. If this is on the same premises, you may be sure you are dealing with a manufacturer. If taken to another location, do the following to determine whether or not the people you are dealing with own the factory: Assuming you cannot read Chinese, just compare Chinese characters on signs outside the premises with those on the business card supplied by your hosts. If they match, they are **probably** genuine manufacturers, but changeable signs are not unknown. The investigations done prior to your trip will also help in your assessment.

As you can see, even when visiting personally, confirming factory ownership is not easy. You could spend a lot less money by employing the services of Intertek (UK) or SGS (Switzerland) for a few hundred dollars and staying home, but you miss out on the delights of tax deductible overseas travel.

12.3 When Unable to Visit China.

In that case you should take great care when searching online. Only use the safe sites that I have listed above, and look first at the website. It should have address, telephone, and other contact details. A high-quality website is not necessarily a sign of a reliable or trustworthy business. Email addresses are sometimes free services and that is usually a bad sign, although some legitimate businesses use free email addresses for **some staff members**. It is more reassuring to see an “Email@website.com” address.

If they also show a factory address that can be an indication that they are manufacturers, but it could simply be the location where they buy most of their goods. Not all websites will have complete address details and sometimes those addresses may appear unlike what you are used to seeing. Remember that industry in China does not always operate in the same way as you may have seen locally. Often they will be located in a unit, suite, etc., and they may even be in a plaza. I have found manufacturers with addresses such as No 77, Alley 10, Lane 16, Section 286, Nanking East Road, Shenzhen. It does not sound promising, but some very efficient, reliable, and long established factories may be found in such strange addresses.

At an early stage in your search you should request that they email a copy of their catalog or provide a link to their online one. You could add that if they have a printed one you would like to receive a copy by mail. Assuming you receive a printed copy, check whether the factory address, even if it is with a different company name, is printed on the supplier’s literature. If it is, the company is almost certainly a manufacturer. Agents often cut off the part of a leaflet showing the actual manufacturer’s name, so if no business name appears in print on the leaflet, this is likely to be a sign that the supplier is an agent. In other cases they stick on a label with their name and address. If it is not published on their website, or in their catalog, ask for the name and location of the factory. If they will not or cannot provide these answers, you should go elsewhere.

Ask for their telephone number. Check to see if the area code corresponds with the address location they give for either their office or factory. If it does not, find another supplier. Does their website show a full address and telephone number? Do not even consider an anonymous company that has a website but may have nothing else. TIP: Do the phone numbers match the postal code? If not, RUN! You can line up postal codes with telephone area codes by going to the official Chinese site here:

china.org.cn/english/MATERIAL/120745.htm

If the telephone code is in an area that does not align with the postal code in that area, I would consider that the company may not be trustworthy.

12.4 ICP Numbers.

ICP stands for Internet Content Provider. Every Chinese company with a .cn website, except for Hong Kong companies, is required to display an ICP number on their home page.

The Chinese government website that enables checking the identity of website owners through an ICP number has been down for over a year. I have recently been investigating this subject because I have found that many Chinese websites are not displaying an ICP number. This is despite the government's stated intention to close down all sites that fail to display the number.

It seems most likely that the sheer volume has grown beyond their capacity to administer it, so they have taken down their own ICP regulatory site. As a result, absence of an ICP number can no longer be regarded as an indication that a supplier is untrustworthy, but the presence of an ICP number is still a good indicator of trustworthiness.

These developments necessitate using other methods as described above in order to satisfy yourself that the supplier is trustworthy. See also comments in Chapter 10's sections 10.2 and 10.3 regarding checks done for you by sourcing sites.

12.5 Trade Show Exhibitors.

An easy way to weed out frauds is to ask the supplier to confirm which trade shows they have attended. Then visit the trade show's official website and verify that the supplier has in fact attended. If they have told you that they have exhibited, but they have not, forget about dealing with them.

12.6 Business Licenses.

You might also decide to ask for business licensing information. Registration certificates are often forged, and simply seeing a copy of a certificate is not sufficient. There are services available that can check licenses for a fee, but once you have their license details these can be checked by a call to the trade consulate of the supplier in your country.

If your supplier is from China, you will encounter a big obstacle. This is because all Chinese businesses in mainland China are registered in the Chinese language only. Many Chinese companies offer their services for a fee to check the validity of a business license. I have a friend who is a practicing Chinese lawyer who offers such a service and you can contact him here: justin@stingroup.com.cn and ask him to quote for things such as Business License verification. He will also do wider Supplier Verification & Auditing Services that will give you a far better understanding of a supplier's status than you can achieve by doing it yourself. He will also consolidate your sample orders, storing them until all the suppliers you have told him about have delivered, and then send them in one courier shipment. The only

condition is that he only does this for clients who have used his verification service.

12.7 Google Search.

Effective searching is often just simply a matter of patience and perseverance. Consider using the Google advanced search. A few years ago, Google dumbed down the advance search result next to their search box so that it provides only the option of choosing a different country. Instead of opening an ordinary Google site, go to: google.com/advanced_search.

There are many filters available. I sometimes find it necessary to refine the search several times by inserting in the “none of these words” field the many irrelevant words that clog up the search results.

Searching for the company on Google sounds too ordinary, but it can find a lot of information. The hardest part about it is that there are many possible variations to the business name. Businesses in China often use their location such as Shenzhen as the first part of their business name, so it may be necessary to omit that location when searching.

Even legitimate businesses operate under several names, so you might find a website with a different name to the one you are searching for. You may need to search for variations, such as a website with the initials of the company name. For example, if you are interested in a company called Shenzhen Wyjo Plastic Products Ltd, try just Wyjo, or WPP Ltd, or WPP.com. Here is an example of an actual search: I searched for Tianjin Flying Pigeon Cycle Manufacture Co., Ltd.

The results appeared as:

- cccme.org.cn/shop/cccme10803/index.aspx (Official company website.)
- flying-pigeon.en.forbuyers.com/shop/index/profile (This is another, but much more elaborate company website)
- I also found them under another the name cntjfeige.en.alibaba.com/.
- flyingpigeon.en.ec21.com

See also 12.8, regarding search results on Panjiva.

A Google search requires patience, but it is your money you are protecting, so persevere. Don't limit your search to page 1, 2, or 3. You might not find them until page 5 or 6.

It is common to find a Google result for a company you first saw on Alibaba also listed on Tradekey, EC21, DHGate, which you can disregard, or on the known safe sites HKTDC and made-in-china.com. This enables you to go to those safe sites and see what their rating is there.

12.8 panjiva.com/search

You can enter in the search box either a supplier's name or a product description.

This site tracks exports worldwide, and although it can be frustrating to use, I have often found companies there that I have been unable to locate elsewhere.

You can sign up for a free subscription that allows unlimited searches, but the results will not be as complete as you would get if you had a \$99 per month paid subscription.

Here is an example of a search: I searched for Tianjin Flying Pigeon Cycle Manufacture Co., Ltd. It appeared in sixth place in search results, preceded by 5 companies that were not related except that they were bicycle suppliers. They are correctly shown to be manufacturers. I have not yet found Panjiva to be wrong in identifying a company as a manufacturer. If they are not so identified, it may be due to lack of information, and you might like to search elsewhere for confirmation

Having satisfied yourself to the best of your ability that the supplier is a manufacturer and is likely to be trustworthy, there are several other criteria to consider when choosing a supplier.

12.9 Do they have a product that you can sell?

This is probably the easiest question to answer, because you will have done your market research and are confident that you have a potentially profitable market for widget X, and you have found several suppliers.

12.10 Does their price allow you a good profit margin after allowing for all expenses?

My simple “trick of the trade” to ensure that you are getting the best price is that you must obtain more than the three quotes usually recommended. Standard business practice is to obtain three quotes, but what if those three companies are related without you being aware of the fact?

I am aware that there are many Chinese companies that trade under more than three names, so you need to obtain quotes from as many as possible. The number depends on how patient you are and how much time you will put into checking prices.

I once obtained eight very similar quotes for a particular product; then quotes 9 and 10 were very much lower. That can ring alarm bells because if a price is too low that can mean the supplier is not genuine or their product is second rate. In this case it was a good outcome because most of the first 8 were agents, not manufacturers, and as a general rule, manufacturers will offer lower prices than agents.

You must take into account Asian culture, and particularly Chinese culture when negotiating. See 12.19 Cultural and Language Differences

The simplest way to negotiate softly in the Asian style is to obtain competitive quotes and use them in a non-forceful way. If you choose to do so, it is acceptable to scan a copy of the competitor's quote, ***with all company identification removed***. No names, addresses, telephone numbers, logos, Chinese characters, company numbers, product numbers, etc. should appear. If they can meet that price they will tell you, or they may offer you a price in between their price and their competitor's.

If you find a company that you would prefer to deal with for some reason, but their price is too high, it is acceptable to politely thank them for their quote but say that you have received a quote from another company for \$x. When using a competitor's quote to try to get a better price, I suggest that you mildly compliment the supplier you are negotiating with, and add that you would prefer to deal with them because of those good points, but you must consider the price.

Because you have already given away a negotiating point with that praise, they will rarely match that price but they will often lower the price to a compromise level. The praise is used to help cement your relationship, and in my opinion the risk of not getting them to lower the price all the way to match the competitor is worth it if you believe you have found a really good supplier.

You might prefer to try for the very lowest possible price in which case you don't offer the mild compliment. It is up to you to decide whether the price difference is worth choosing the less desirable supplier.

12.11 Regarding Prices.

The lowest price may not be as important as ensuring that you are getting a quality product from a reliable and trustworthy supplier. I have been in a number of factories in China where there are in effect two production lines. One produces "el-cheapo" products to supply people who think of nothing but price. The other produces a much better-quality version of the same product. Surprisingly the price difference is often only a small one.

When a supplier is keen for business and a buyer pushes for a lower price, the supplier will often reduce the quality. By way of illustration, consider a plastic ride on toy. The manufacturer's design team calculated the minimum safe thickness of plastic to use in the various parts, but to satisfy an insistent buyer, the manufacturer might reduce that thickness by a small amount, shaving enough off his cost to allow him to meet the buyer's price demands.

The result can be disastrous; with product failure after it is in use for some time. Returns, refunds, product recalls, harm to the importer's reputation and possible litigation could result.

12.12 Possible Profits.

I once had a call from a potential customer desperate to obtain a custom-made product, but every company they had contacted was not interested because the order was only for 1,000 items. I knew a company in China that made vaguely similar items and I asked them to quote. The landed cost worked out at approximately \$3.00. I quoted the customer \$21.00 each and got the order because they absolutely had to have the product and nobody else would even quote them. I pocketed a profit of \$18,000 for an outlay of \$3,000 and for very little work.

That does not happen every day, but the point I make is: Don't be afraid to charge what the market will bear, rather than a cost-plus price. On a cost-plus basis, I would have charged $\$3.00 \times 250\% = \7.50 . That is my usual minimum profit margin; 60% of the selling price. I can happily live with that, but I can really enjoy $\$3.00 \times 700\% = \21.00 – a margin of over 85%.

Some importers regularly make much higher margins, but that is usually because they have found a niche that is not widely exploited. I have seen products retailed for as much as 10 times what I know to be landed cost.

12.13 Custom Made Products.

Most of what I have written so far relates to standard goods that the manufacturer already produces in volume.

If you are aware of a locally made product, or even a high priced imported product of a type you are familiar with that has a very lucrative market, you may want to consider having that type of product custom made for you in a low-cost country. It is safer to first consult a lawyer specializing in international intellectual property rights, because you must beware of breaching intellectual property rights such as patents, copyrights, or trademarks.

If you are satisfied that the product can be legally and ethically copied, you would then contact manufacturers who make the same kind of products. Remember that designs are often subject to copyright, so if your custom-made product looks almost exactly like a brand name product it could be regarded as a counterfeit, with dire consequences for you.

You may not find manufacturers who produce exactly the same item, but if for example you want to copy leather aprons with tool pouches, you may not find suppliers who make that product exactly, but you could probably find some who produce other leather products.

If you want something made especially for you, there are a number of matters to take into account:

- Much longer lead time. Depending on what is being made, how complex it is, and what set-up work may be needed, it can take months to even obtain your first sample.
- If casting, stamping, or injection molds are needed, these can be very costly. For example, a simple stamping tool for a medal might cost \$40 - \$100 for a single sided item, or double that for a double sided one. A plastic injection mold may cost \$20,000 to \$50,000.
- Fabrics woven to your design can require jacquard costs up to \$500.
- Items to be printed will have set up charges ranging from \$20 to \$500.
- It can be difficult to ensure that the manufacturer interprets your drawings and written specifications the way you interpret them.
- A manufacturer will usually require a substantial order to compensate for the extra time and effort needed to develop the new product.
- If you have your own original design that you want made, you will need to take steps to protect your own intellectual property, and for this you will need the help of a lawyer specializing in international intellectual property rights.
- Some protection can be achieved by having components manufactured by different companies, and assembled in your home country.

I suggest that you should not consider custom made products unless you yourself have a good understanding of, or experience in, the manufacturing process.

12.14 Do they seem reliable?

The best way to test that is to request a sample. You may have to pay for it – more on that later. If the sample arrives promptly, that is usually a sign of reliability. You should also request client references or testimonials. Chinese companies are reluctant to supply these because they think you may be trying to obtain a commercial advantage. You need to assure them that you only want to ask their customers about reliability, service, and whether quality met expectations. About 80% of Chinese companies will still refuse to supply references so you need to make other inquiries.

12.15 Are they helpful?

Prompt replies to your emails are usually a good indication that they are helpful. This applies particularly if you ask for an explanation about some aspect of the product. *Note:* the English-speaking secretaries will invariably be under instructions to try hard to get new business so they will email you repeatedly. Do not mistake this for being pushy.

12.16 Will they accept small orders at first?

Most will at first insist on a minimum order that will possibly cost more than you are prepared to spend, but if you follow my methods in the next chapter, “Samples & Small Orders,” many will allow a small first order.

If they are unwilling to agree, I would move on to more cooperative sellers.

12.17 Never Keep All Your Eggs in One Basket.

If you have found a good product that sells very well at a good profit, I urge you to look for a back-up supplier. Your first supplier may suddenly go out of business, or they may receive a massive order from Disney or McDonalds and not have the capacity to handle your orders. You could be left stranded if you do not have an alternative supplier. If a supplier begins to repeatedly increase prices, you should start looking for another supplier if you do not already have an alternative, because it is very difficult to negotiate better prices with them.

In my experience, suppliers will usually work very hard to get your business, but they tend to take you for granted after a while. This can usually be remedied by lodging a strong complaint but in some cases, with quality and reliability falling below acceptable standards you cannot continue to buy from them. In that case you will need other suppliers to turn to.

12.18 Cultural and Language Differences.

These differences can make or break a business relationship, so I will outline a few essentials.

Although I have stressed the need under certain circumstances for watertight contracts, Chinese culture places great stress on trust. Moral influence is more important than legal practice. Chinese business people tend to rely on a person or company’s moral obligation, rather than on legal obligations. This

does not mean you should ignore my advice about contracts, but if you can build a trusting relationship where both parties will feel morally obligated to perform, you will generally have as much security as if you had a signed contract.

In Chapter 17, Order Procedures, the check list includes reference to Pro Forma invoices. In practice, these are as near as you can usually get to a really binding contract.

When writing to Chinese speakers remember that they mostly have a limited vocabulary. Words that may seem straightforward to you might mean something different to them. Avoid using words that have more than one meaning, such as “bow.” Also try to simplify your meanings by using words that cannot confuse someone with a limited vocabulary. For example, instead of using the word “lustre” (UK) or “luster” (US), use “shine” and instead of using the word “buff” use “polish.” If you can find a reliable interpreter, do make the effort to use Chinese characters on your emails, order forms and letters.

Cultural differences extend to *the art of negotiating*. People who have visited retail stores and particularly street markets in Asian countries encounter sales people who haggle over price. In fact this is not the Chinese way of doing business. On the contrary, you will find that they will generally quote low initially to get your business, and then impose price increases over time. Chinese business people are generally very professional. While some are greedy, most are prepared to work on relatively low profit margins.

When they give you a price, they will be highly offended if you respond with an offer to pay less, in the way you might at a street market. Instead, see 12.10 above, regarding obtaining many quotes to obtain the best price.

Always be very polite in such communication. Chinese people are extremely polite and they have a higher regard for Westerners who are also very polite. Just remember to treat them as you would like to be treated.

A good way to maintain good relations once you have established a good business relationship is to send greetings for both Western New Year and Chinese New Year. Greetings or good wishes for other festivals would also be worthwhile.



13 SAMPLES AND SMALL ORDERS

When making your first approach to a potential supplier, you need to make a good impression. You must avoid disclosing that you are new to the business or that you are a sole trader. Always give yourself a business name even if you do not have one registered. Also, an important trick of the trade is that you should never ask what their MOQ is because that will immediately identify you as small fry. They will tell you their MOQ soon enough.

Here is an example of an email for making first contact. You will note that the supplier contact is addressed as “Mr.” or “Ms.” Don’t use first names until you have established a good relationship or they have begun to use your first name.

Wonder Products (HK) Ltd

Dear Mr Huang,

We are established importers seeking reliable suppliers of XXXXXXXXXX. We believe it would be a good addition to our current product range.

Other products in your range might also be of interest, so kindly email a catalog and price list.

If you also have a printed catalog, please send a copy to me at:

*John Doe
Wizard Imports
1356 Center Road
Williton CA 5351
USA*

Our business relies on repeat orders from our customers, so we are only looking for suppliers who can provide good service on a long-term basis.

Regards,

*John Doe
Purchasing Manager
Wizard Imports*

Using your name in the first line of your address will insure postal delivery.

Note: Giving yourself a title such as Purchasing Manager leaves open the possibility of later blaming a superior for insisting upon placing a small initial order for testing or market trial purposes. It is acceptable to refer to your superior as your boss.

If making your inquiry through the contact form on a B2B website, you may need to embellish your story a little. This should not include claiming that you are planning to place very big orders. The contact forms often require you to state expected order quantity. Do not put any figure there. Most newcomers prefer to use the B2B website contact forms, so in 10.4 I have prepared step by step instructions on how to complete those forms.

13.1 Samples.

At some stage before placing an order you must obtain a sample, or if you are able to visit the supplier, there is no better way than to see the actual product. This is because in these days of Photoshop images you cannot believe everything you see in print or online.

You will appreciate that many people contact Chinese companies in the hope of getting freebies or at the very least a cheap single item. This makes Chinese companies wary and many will charge for samples, usually with a proviso that if you order a commercial quantity, they will deduct the cost of the sample. If they do not suggest that, you could ask them to do so before you order your sample.

Even if they provide a free sample, they will usually ask you to pay courier charges. For them this serves two purposes. First it shows that your inquiry is a genuine commercial one, and secondly, because they expect you to quote your courier account number, it proves that you are in fact in business. Find out the package weight **and** dimensions, and if you have a courier account number, ***check with your courier*** exactly how much they will charge for a ***freight collect*** door to door delivery from the dispatch location

(which city) in China to you, for the package. Their price must include customs clearance and must be *in writing*. See Chapter 4, Freight.

Once you pick your jaw up off the floor after seeing that quote, ask the supplier how much they would charge for a pre-paid package if you pay the supplier in advance. Bank fees will be expensive, and the supplier may want to charge you for their bank fees also, but in many cases the total cost will be much less than what you would pay your courier for a freight collect delivery. If the supplier accepts payment via PayPal or credit card, you will probably be in luck. If you do not have a courier account, you can still plead that freight collect charges are outrageous and see if they will accept pre-payment from you as above. Alternatively, you could tell them that all your suppliers pre-pay the freight and that is why you do not have an account.

When the supplier quotes you for the total including courier or airmail charges, check to see how much those charges should be. Often suppliers will try to make a big profit out of the freight. You can get a good idea of airmail rates through the Hong Kong Posts Office at hongkongpost.com/eng/postage/. Checking courier rates on your local courier service website will show you the absolute maximum charge, which will almost certainly be much more than what the supplier will pay.

If you can wait, ask the supplier to ship via China Post. It will take 3 to 4 weeks, but the cost is very low. Be sure to get them to confirm the postage charge before they ship.

Often the best approach is to either choose a small range of their products and place a sample order, or even place a sample order for a small number of the particular item that interests you. They will then prepay freight, and you could well receive some saleable items for little more money than a single sample plus freight would have cost you. When doing this, you must make it very clear that this is a sample order to enable you to evaluate the product.

13.2 Small Orders.

I have just introduced the subject of small orders as a way to obtain samples without paying through the nose. You may also want to place those small initial orders to test the market and to test the supplier.

If you have done your market research, and have carefully calculated the maximum affordable landed cost plus selling costs that would make the product saleable at a good profit margin, you should be confident that even if they don't sell well at the price you hoped for, you should be able to sell them at a discounted price and still make a profit.

If your chosen product is low in dollar value, a small commercial order may only cost \$200 or \$300, but if the item has a high dollar value, small commercial orders would possibly amount to \$1000 or \$5000. I strongly recommend that your first one or two commercial orders should be as small as a supplier will allow, or as small as you feel is the maximum amount you are willing to spend as part of the learning process. By doing this you can get the feel for the process and learn first-hand what it feels like to be an importer. This will also help you test the reliability, helpfulness, and quality control of the supplier.

Suppliers will usually want to know what quantities you intend buying. Don't volunteer that

information; wait until they ask. After that, it is best to generalize about expected order quantities, or even evade the issue for the time being. Evading the issue is a common tactic used by Chinese people themselves, and they would be impolite to remind you that you have not answered their question, so you will usually get away with not answering.

Genuine manufacturers in China tend to work on low margins, so repeat business is important to them. This is why your approach must be professional and you must give the impression that you are likely to be a long-term customer.

Before giving much detail to them you should request catalogs and a price list as in the example above. These can usually come via email unless you want print catalogs to help verify the business. Do not request samples at this stage. You should wait until you have received a catalog. Here is a typical email requesting samples:

Wonder Products (HK) Ltd

Dear Mr. Huang,

Thank you for your prompt response. I have thoroughly reviewed the catalog received (or online) a few days ago and I am very confident that we have a good market for your products YYYYYY (Catalog No 123) and ZZZZZZ (Catalog No 456).

I need to see a sample of each product before placing an order. Would you kindly forward one sample of each? Preferably in red, but any color would be OK.

Regards,

John Doe

Purchasing Manager

Wizard Imports

Discussion on charges for samples and/or freight will then commence as in the samples section above.

If you want to place a small order of maybe 1,000 items, but the supplier has quoted you a Minimum Order Quantity (MOQ) of 10,000 or 50,000, the best approach is to tell them you would like to place a trial order for 1,000 items. If their MOQ is 1,000 pcs, say you want to place a trial order for 100 pcs. Don't forget that not being the boss, you can blame the boss for requiring a small initial order. Most will agree, but if they will not, you move on to another supplier.

If the product is completely standard production for them, tell them you are prepared to wait, and ask them to add your order to their next production run.

Once they have supplied the trial order quantity it is often possible to get them to supply that quantity again. If they refuse and you can afford to do so, ask if they will supply double that quantity. It is unlikely that you will receive a better price for double the original order quantity, but at least that may give you continuity of supply. If you have found several suppliers of the same product at around the

HAY & COCKRUM

same price, the use of this method could keep your business running while your sales develop to a point where you can afford to buy the MOQ.

NOTE: Chinese businesses universally use the term pieces [pcs] instead of items.



14 CALCULATING ACTUAL COSTS

When obtaining quotes for small orders, it is common for suppliers to quote on the basis of using air couriers. In fact, I would generally recommend that you ask for the quote to be on that basis. Make sure that all the quotes are on the same basis. In particular, be sure that customs clearance charges are included. Once you have moved on to ordering larger quantities, you have several freight options to consider and you might decide to ask the supplier to quote on more than one method as follows:

14.1. Air Courier.

It is worth considering using air couriers even for larger shipments mainly because of speed of delivery, which can make it easier for you to work with smaller inventories. That can mean cost savings that can outweigh the extra cost of delivery. There is also the convenience of having the entire process handled for you. In this case the supplier would quote door to door. (CFR [See 33.5] door to door). Please read again the first paragraph of Chapter 4.

14.2. Air Freight.

Used for fast delivery of larger consignments. I recommend using a local freight forwarder, near you if possible, who *must* include absolutely every cost including clearance and delivery to your premises. In

this case the supplier would quote you FOB [See 33.9]. Take care to ensure that they mean delivered to the port of shipment. The quote should state FOB Port. The name of the port should be stated. FOB means loaded on board in almost every country except China.

To comply with international trade conventions, it should have the same meaning in every country, but in China it often means “ex-factory.” This can mean there will be extra “inland” charges, which can include freight to an airport or sea port, road tolls, Chinese Customs charges and maybe some other charges that they are busy dreaming up right now. The proper term for ex-factory is EXW.

If shipping by air freight, (*NOT courier door to door service, but airport to airport*) you may have extra costs similar to those mentioned in 14.3 below, so be sure to get a quote that includes all costs to your door.

14.3. Sea Freight.

This is only used when you have a large volume shipment, and can afford to wait up to 2 months to receive the goods. When sea freight is necessary I would prefer to use the services of a freight forwarder rather than rely on the supplier to handle all the necessary work to ship by sea. In that case the freight forwarder is the one to ask for the freight quote, and the supplier’s quote would be for FOB.

As in 14.2 the quote should state FOB Port. Insist that your forwarder includes in their quote all costs including delivery at your address; otherwise you could get a bad shock. Charges after the cargo arrives at your port can include customs clearance fee, transport to a container depot, cost of unloading the container and other fees, but will not include the duty or tax. These will be paid for you by the freight forwarder and collected from you, usually before they will finalize delivery.

If your order fills a container; that is called Full Container Load (FCL). If it is less, it is called Less than Container Load (LCL). If unloading is not done within a specified time, usually 3 days, you will pay a container rental charge.

I recommend that you never attempt to collect your shipment from a port. You will be treated as an outsider, probably given wrong information, ignored, bypassed by trucks driven by regulars, and may be required to come back the next day, when if you are lucky, your goods might be loaded on your truck.

It is sometimes possible that shipping small quantities by sea can cost more than shipping by air. It is worth getting your freight forwarder to quote for both air and sea freight.

In addition, you might consider splitting your shipment, so that a small quantity is shipped by air, and the larger quantity by sea. This can give you the best of both worlds; fast delivery of sufficient inventory to satisfy customers and much lower cost freight for the rest.

14.4. Doing the Calculation.

Now that you have your quotes, remember that there will then be other costs, such as Customs Duty and Sales Tax. Your Customs Broker or freight forwarder should be able to tell you in advance how much

these would amount to.

Unless you are using a door-to-door service, it could be foolhardy to attempt to make all the arrangements and handle all the red tape yourself. For this reason, I urge you to use a customs agent or freight forwarder for such shipments. Talk to them *before* placing an order.

In order to do the calculations yourself, you will first need your total price for the goods, plus freight, plus insurance.

You can obtain an idea of duty rates at dutycalculator.com. This service is currently free for up to four calculations, after which you will need a paid subscription. I say, “an idea,” because opinions on which tariff codes are relevant can vary, even between experts. If you want to be certain, you should obtain a ruling from your official government Customs office. See 14.5.

You will have already asked your customs agent the duty rate, and you should not be in business if you do not know the rate of sales tax applicable. Let us assume goods cost a total of \$10,000 including freight and insurance, and there is a duty rate of 3% plus a sales tax rate of 5%.

Calculate as follows:

CIP (or CPT) cost	\$10,000.00
CIP x 103% = landed cost, including duty	\$10,300.00
Landed cost, incl. duty x 105% = landed cost incl. duty plus sales tax	\$10,815.00
Add Customs Broker's fee (assume \$250.00)	\$ 250.00

Total Landed Cost	\$11,065.00
--------------------------	--------------------

If you have imported 1,000 items in the example shipment, each has cost you \$11.07 at the point of entry. You need to add delivery to your home or warehouse unless your freight cost has included that. You also need to add the cost of shipping to your customers. This will give you some idea of what you need to charge in order to make the desired profit. Don't forget to allow for breakages, and for stock remaining after your sales effort has run its course. A prudent business person would also know in advance what the selling costs will be, including any eBay, Amazon, or PayPal fees.

14.5. Certainty About Duty Rates.

Although I suggested in the previous section how to get an idea of duty rates, it is preferable to know for certain in advance of ordering the product.

In most Western countries, this can be achieved at no cost by obtaining an official, binding ruling from your Customs department.

In general, the following applies to all western countries. You can request in advance, a BINDING

RULING on tariff classifications for any item you intend to import into the country. This takes all of the guess work out of HTS codes and tariffs.

A binding ruling is permanent and cannot be changed by any customs official. No official is authorized to override it, or charge you more than the rate specified in the ruling or in any way change the ruling. It is not difficult to do it yourself, and the small amount of time involved is worth it.

Here are links to find out how to obtain a binding ruling.

- **UK.** – gov.uk/guidance/binding-tariff-information-rulings (The UK and all other EU countries are covered by a ruling obtained in any EU country.)
- **USA** – apps.cbp.gov/erulings/index.asp
- **CANADA** – cbsa-asfc.gc.ca/import/ar-da/menu-eng.html (Canada calls these rulings “Advance Rulings.”)
- **AUSTRALIA** – <http://www.border.gov.au/Busi/cargo-support-trade-and-goods/importing-goods/tariff-classification-of-goods> (Australia calls these rulings “Advance Rulings.”)
- **NEW ZEALAND** – <http://www.customs.govt.nz/news/resources/factsheets/Documents/Fact%20Sheet%2023.pdf> (New Zealand calls these Tariff Rulings and they only last 3 years.)

Once you have obtained a ruling it would be a good idea to email a copy to your supplier and ask them to send a printed copy with the shipment. This can save you the possible problem of dealing with an erroneous duty charge.

Other advance rulings that you might want to consider are Country of Origin and Country of Origin Markings. This last one checks that your intended labeling complies with regulations. It is probably worth asking your Customs Broker if you need to obtain these Origin rulings rather than going to the trouble if it is not necessary.

COMMERCIAL INVOICE

Port:	Export Reference (i.e. order no., invoice no.)
Exporter (complete name and address):	Recipient (complete name and address):
Port:	Importer – if other than recipient (complete name and address):
Signature:	
Final destination:	

15 PAYMENT TERMS

Suppliers will invariably require payment in advance at least for your first order. That is standard practice in Asian countries, but their western customers find that difficult to accept. This practice is at the root of a large percentage of successful scams.

If the order is big enough value, scammers will be happy to take your 30% to 50% deposit and never make contact with you again.

I never paid in advance. My view has always been that there was no reason why I should act as their banker. They say they have to outlay the money on materials in order to make the product for you. So what! Every manufacturing business in a western country has to do the same but they don't demand advance payment – at least not until the goods are ready to ship.

By refusing to comply with such demands I made my sourcing task more difficult, but in the process I sorted out the keen vendors from those who did not care about my business. Some refused to supply although I had politely explained my position and offered to pay **in full** a few days before the goods were shipped. The factory should be willing and able to fund their own production of existing products.

This hardline attitude can be misinterpreted, so it must be presented with extreme politeness. Having found the ideal product after a lot of searching, many new importers choose to yield without protest and pay the deposit upfront.

It is important to keep faith regarding order quantities if you expect them to accept your terms. If at the beginning you said you would buy 1,000 pcs., you must order 1,000 pcs., or your credibility disappears.

The situation is different if the order is for a new product. In that case you might have to accept their terms of a pre-production deposit, although I never did.

The most common payment methods requested by suppliers are. Wire Transfer (T/T), Letter of Credit (L/C), and Western Union. International drafts issued by companies such as American Express, Wells Fargo, or Western Union, and sent to your supplier via airmail or courier will usually cost less than a Telegraphic Transfer (T/T), through your bank. Sometimes these drafts are available at post offices, otherwise at money transfer locations – often a simple shop front. Bear in mind that ***there will be delays due to airmail transit time.*** You may be surprised to find how slow and relatively unreliable that can be when the destination is China. ***Sometimes the draft is not delivered*** if you use the postal service. A courier service will usually be far more reliable, although more expensive.

You must ask your supplier if they will accept payment by your preferred method. Do not just go ahead with the payment, as they may bill you for their expenses in clearing the payment through their bank. Wire transfers may cost more, but they do avoid delay. **But beware** of suppliers who **require** payment by money transfer through agencies such as Western Union.

Never send payment to a destination other than the address you have been communicating with.

Never send payment to a company name different to the one you have been in contact with, unless you are certain it is part of the same business group.

Almost Never make a payment by any method to a personal account. Payment must always go to the company name or you ***will*** lose your money, ***unless you know for certain*** that the person is the owner of the business. Even then there is a risk.

NOTE: Although the correct banking term is “International Money Transfers,” Chinese companies still mostly call them T/Ts. Some people call these Wire Transfers, but that is not a commonly used term in dealing with Chinese businesses. With bank fees being so high, paying in two hits can add considerably to the cost of your order. For this reason, you may give preference to a supplier who accepts PayPal or credit cards, but (although growing in number), there are still relatively few that will do that. Those with an office in Hong Kong are far more likely to have those facilities. With this in mind I suggest that a small order paid for in full in advance may be worth the risk. I would never pay in advance for a large order.

15.1 Safest Methods.

The safest payment methods are either Letter of Credit (L/C) or Escrow. These methods can be

expensive options if you are paying small amounts. Many banks will decline to issue an L/C for less than \$100,000, but it could be worth asking your bank. If they won't handle smaller transactions, I suggest you tell suppliers that you want to use escrow.com and that **you will pay the escrow fee**. Many will say no, largely because they don't know [escrow.com](https://www.escrow.com), so you will need to show them details of that company's financial registrations in various states of the USA. This can be found on their website.

[escrow.com](https://www.escrow.com)'s fees are very high for very small transactions, but a lot lower when the transaction is for \$1,000 or more. There is an online calculator on their site but just to give you some idea, here is what their escrow protection will cost you, including a flat rate service fee of \$25.

- \$200 25.0%
- \$500 10.0%
- \$1,000 5.7%
- \$2,000 4.5%
- \$10,000 2.0%

By using [escrow.com](https://www.escrow.com) you can be almost certain of safety in the transaction, but there is still a risk of fraud in using L/C or escrow. If a seller submits forged documents, payment will be made by the bank or escrow company, but you will not receive the goods. This again highlights the need for thorough verification of a supplier's credentials.

15.2 Possibility of Obtaining Monthly Terms.

However you pay for your first order, there is a way to possibly get a supplier to agree to monthly terms after you have placed several orders. The most important part of this process is to show them that you are honest and ethical. This can be achieved with a simple note in an email when placing your first order, and repeated with each subsequent order. All you need to do is write as follows:

Please provide invoices showing full value. We will not accept fake invoices.

While they will protest that they *never* offer fake invoices, they will find your comment very refreshing because most importers *request* fake invoices in order to save on customs duty and sales tax. They will accept that you are an honest person, and later when you ask for monthly terms they will be much more inclined to agree. Monthly terms are only viable if you are in the habit of placing more than one order each month. When requesting monthly terms, you should suggest that they can save on bank fees if they will send you a statement at the end of every month and you will pay within seven days. This is known as an open account.

If you only place one order per month or two, a good alternative is to request that you be allowed to pay on delivery, or within 7 days of delivery. If you do obtain favorable terms, always be sure to abide by the agreement.

15.3 Letter of Credit.

When large sums are involved, it is common for a supplier to require payment by Letter of Credit (L/C)

[See 33.10], or you may decide in any case that it is in your best interest to pay by this method. An L/C is a kind of promissory note that you buy from your bank, in which your bank promises to pay the supplier once *all* of the condition in the L/C have been met.

These conditions will include the following but may also have other provisions:

- Supply of the ordered quantity.
- Supply of goods matching the quality of the sample previously supplied.
- Supply of goods confirmed by your nominated inspection service as meeting your specifications.
- Proper marine insurance cover [See 33.12] for 110% of the value of the shipment has been made and a certificate provided.
- Goods are loaded on ship or aircraft *no later than* the date specified in your order. (Never specify a dispatch date unless you and your supplier are absolutely certain it can be met. Changing an L/C can be very costly.)

15.4 Escrow Services.

Be careful when using escrow services. Use normal commercial due diligence to check the credentials and reputation of any service you might think of using. Escrow services can be an excellent way of ensuring that you do not finish up paying for faulty goods, but you need to be certain that they are reliable. Not all are what they appear to be, so take care to ensure that they are genuine. One reliable service I have used is escrow.com.

Escrow works in a similar way to L/C transactions through banks. You pay upfront but the money is held in trust until the order conditions have been met exactly, and to your satisfaction. The main differences are that escrow usually costs less than a Letter of Credit, and unlike dealing with a bank with an L/C, you can allow an escrow service to release payment even if a minor point has not been exactly complied with. Banks insist quite literally on every “i” being dotted and every “t” being crossed, and they will charge extra fees to make a change.

I have already pointed out that the Trade Assurance service provided by Alibaba has complicated rules with very limited time allowed for you to decline to approve payment. The Buyer Protection service provided by Aliexpress is similar. The big advantage in the case of Aliexpress is that theirs is a free service. Alibaba charge their advertisers 5%.



16 TRAVELING TO SOURCE SUPPLIES

16.1 Tax Deductible Travel.

Check first with your taxation adviser, but I suggest that if you enjoy overseas travel, your holidays can become, at least in part, tax deductible expenditure - provided you spend time looking for products to import. ***I AM NOT GIVING ANY TAXATION ADVICE***, but I suggest that when doing your market surveys overseas, you should make extensive notes, preferably in diary form. It is probably worth noting dates and times, taxi fares, meals, or other expenses, as well as names of any people you meet.

Detailed records are more likely to keep you out of trouble with tax authorities. I never rely on memory for such things, and I never write up my diary when I return home. Here is a little hint to keep the tax people happy: I always show at least a part of my travel expenses as “personal” in my accounts. After all, I do spend money that has nothing to do with business, so I do not claim it as an expense. ***I repeat: Check first with your taxation adviser.***

16.2 Visiting Retail Sites Overseas.

While overseas there are many ways of searching for products to import. Some importers visit local markets where the locals shop. Even visiting large stores can help you locate products that could be worth importing. Keep your eyes open for products that are appealing but are not available in your own country.

Caution! You may not have seen such products on the market at home but that does not mean someone is not already importing them. Also remember that although they appeal to you, it does not mean there is a market for them back home. One of the greatest mistakes I have witnessed among newcomers to importing is to get carried away with the novelty or attractiveness of a product that appeals to them. ***It must appeal to your local market.*** You may love it but when you try to sell it, your wonderful new product could go down like a lead balloon.

When looking for products by visiting retail outlets, you must remember that it is pointless choosing a product if you cannot locate the manufacturer. The retailers where you see these products are unlikely to tell you who the manufacturers are, so you must do some detective work.

They might give you that information if you buy one of the items. If the cost is low, it could be worth buying one that you can photograph, measure and weigh in order to locate a supplier by advertising as we discussed in Chapter 11. If you cannot locate the supplier, at least you have a tax-deductible souvenir!

It is possible to buy retail at street markets or in back road shops where locals do their shopping. Prices there will at times be even cheaper than the best prices you could get from the factory, but each item would have to be checked for faults. I do know of some relatively small-scale importers who love traveling, and they buy retail in those places as many items as they can fit into their luggage. They always ask for a receipt and declare actual value. They sometimes strike trouble when a Customs Officer at the airport refuses to believe that the receipt is genuine so they finish up paying more duty and sales tax than they should. Goods in commercial quantities must always be declared. They cannot be considered part of any traveler's duty-free allowance.

A big advantage of having a sample is that it enables you do an informal market survey at home. Show it to your friends. Ask questions such as: Do they like it? Would they buy one? Friends may think they have to say yes in order to avoid offending you, but tell them that it is very important that you get honest answers. Check for country of origin on the package or on the goods, because while the goods may look local, they may have been imported into the country where you saw them.

When planning your trip, you should check on dates of public holidays in the country or countries you plan to visit. You can hardly justify a sourcing trip to Rio during *Carnivale*. In some countries, attitudes around keeping appointment times can be very casual. In the Philippines for example, you may have to wait an hour or more past the time you arranged to meet the person you are visiting. Other countries can be similarly relaxed so do your homework. Siesta times can apply in some Asian locations as well as in Europe and Latin America. This can affect office hours, so check this as well.

Generally, you should avoid peak tourist times because of congestion, cost, and difficulty in arranging accommodation. In Northeast Asia, the typhoon season can cause flooding in cities, and also disruption to air travel. During trade shows, you will need to make reservations well in advance. With these things in mind, no doubt you will do some thorough research before making your travel arrangements.

If you plan on seeing potential suppliers, always allow plenty of time because appointments that you

expect to occupy half hour could well last one to two hours, and if the supplier thinks you are a very good prospect, they may take you to lunch. In my experience, such a lunch can last as long as three hours.

16.3 Visiting World Trade Centers.

This means of locating suppliers is usually only known by the “big boys” in importing. If there is a WTC in the city you are visiting, then a visit without prior appointment can be well worthwhile provided they have members with permanent showrooms. Many reputable suppliers have offices and/or showrooms in **some** of the Centers, and those showroom displays can give you some great ideas about products to import. Check on the WTC site wtca.org. Click on Locations, then on the region. This will then show you a list of all the Trade Centers in that region. Click on the city of interest. The address and other contact details will appear. With the address, there will be a contact form and usually a website link.

Before deciding to visit, it is advisable to email the center to ask if they have permanent showrooms at that location. **Most do not. One that has 1,000 showrooms is the WTC in Taipei.** They cover five floors of the huge WTC building. I can highly recommend a visit if you intend traveling to Asia. As I mention in the next section regarding trade show exhibitors, not all permanent exhibitors are manufacturers.

Many of the companies with offices or showrooms at World Trade Centers are very big businesses and are accustomed to dealing only with importers who are also in the big league, but you will still find many businesses in those centers that will deal with any importers provided they can place orders that meet their minimum order requirements, or at least what they consider to be a worthwhile quantity. Concentrate on finding suitable products, and then ask about their MOQ. Remember also what I wrote in Chapter 13 about how to get them to accept small orders.

It is usually not advisable to make firm commitments on first contact at WTCs or at trade shows. Take time to consider. Rushing a decision could bring regrets later, and also it does not present a good image to prospective suppliers. Even if you sleep on it and return the following day that would be better than making a hasty decision.

You may choose to use the Trade Center contact forms at each city to request a list of suppliers for a product you are looking for. Not all will be able to do that for you, but it is worth trying if you are having trouble locating a particular product.

16.4 Visiting Trade Shows.

By visiting sites such as taiwantradeshows.com.tw/ or tsnn.com, you can find hundreds of shows listed, not only in China, Hong Kong, etc., but also USA, UK, Europe, and many other countries. It may take you some time to sort through them, but you are sure to find shows where products of interest to you will be exhibited. Even in your home country, there are likely to be a number of shows of interest, with exhibitors from various countries, and this could be a good starting point for you if you do not want to outlay the considerable (tax deductible) cost of traveling overseas while starting your importing

business. But if you want to see as many manufacturing exhibitors as possible, it is usually best to visit shows in the manufacturing countries.

For those who can afford the time and money to take a trip to China I would highly recommend it. Nothing can beat face to face contact with potential suppliers.

- There are a few things potential importers need to know before going to trade fairs in China: Trade fairs can be mind boggling. The vast product range will fill your head with ideas, so you need to make sure you take detailed notes, as well as collecting catalogs.
- Be prepared to spend at least two or three days at a fair. They are massive.
- Always contact exhibitors well before you travel. Deal with them via email as though you were not going to China. You should have narrowed down the field before you go. Do let them know you are coming to the fair.
- *Don't* commit yourself on the day, unless you have had plenty of prior contact with the supplier. Your mind will be in a whirl and after committing yourself you may find a product or supplier a few stalls away that will be much better for your business.
- Don't accept any statement that the supplier you are talking to is really a manufacturer. Just as you will find happens on B2B sourcing portals, many trade fair exhibitors claim to be manufacturers but are not.
- Allow time to visit other suppliers that you may have previously contacted, who are not exhibiting. China is a big country so plan your trip and in particular all the internal travel carefully.
- Make your travel and accommodation bookings early. Check with the fair organizers to see if they have special deals with any hotels. When you leave your hotel take the hotel's business card with you to help taxi drivers understand where you want to go at the end of the day.
- Remember that Chinese business people have a different concept of the word "Yes". To them it can mean maybe, perhaps, possibly, probably, no, or even yes. They are not being dishonest, they are just trying to please, and to them, saying no is impolite.
- This may seem out of place but it is worth considering visiting trade fairs in your own country. Depending on the industry sector featured, there will often be many overseas exhibitors.
- Take plenty of business cards, including ones with a throw away email address. These ones you give to companies that might possibly interest you but you're not sure that you want them to have your real address in case you find others that you are sure you want to do business with. You should keep the ones with the real email address in one place and the others somewhere else. Remember that if you hand out your real address there is a good chance they will pass that address on to friends, relatives, or even commercial list sellers.

Don't want to travel to trade shows?

Check out the inexpensive guide TradeShowNoShow.com for tips on getting nearly all the benefits of attending trade shows *without* actually attending!

If you do want to go to shows, first look for those being held in Taipei, Beijing, Shanghai and Hong Kong. As a general rule, most of the exhibitors in these cities will be manufacturers, but use the suggestions I made in Chapter 12 to work out which exhibitors are manufacturers. Many of the exhibitors at shows outside Taipei, Beijing, Shanghai and Hong Kong are only agents and this particularly applies to similar shows in Europe, USA, and Singapore.

Two world famous trade fairs that attract thousands of visitors are widely recommended on forums. The **Canton Fair** is held twice a year and the **Yiwu Fair** is permanent.

I do not recommend that you attend the Canton Fair unless you have carefully sorted through the exhibitors and contacted those of interest well in advance of the fair date. You still need to check them out to be sure that they are a business that you want to deal with.

Allow at least 2 days to visit each stage of the Canton Fair, but it could take 3 or 4 days. The fair usually runs over 2 weeks for all stages, but you might only be interested in products exhibited at one or two of the stages.

Many people have asked me about the merits of visiting the Yiwu Trade Fair. They have annual fairs, but here I am dealing with the permanent fair. This fair operates continuously and is popular with people who go there to find one-off bargains. They have a website yiwu-market.cn/. Many, if not most, of the product descriptions on their website are in very poor English. The site is not user friendly.

There are a number of agents offering to act as an intermediary for people to buy online, with fees as low as 1%, which seems too good to be true. The big problem with using an agent is that it is difficult and maybe impossible to know how reliable they are. If a price has not been advertised online, are they bumping up the price to also get a commission from the vendor?

Will they be conscientious about quality control and risk not getting a commission if they reject the goods? Will they handle small orders? Some of the prices seem extremely low, but in other cases they are a lot higher than quotes I have seen recently from suppliers on HKTDC or Made-in-China.com.

Whether you are visiting the fair or sourcing online it is impossible to ascertain whether or not you are dealing with manufacturers. That may not be such a problem if the prices are exceptionally low, but those low prices may be due to the product consisting of reject stock, or closeouts. Continuity of supply will not be possible in those cases. Many vendors have MOQs, some of them substantial.

Few of the vendors have adequate English skills, so anyone wanting to buy from Yiwubuy.com will have to use an agent. It is not as bad as Taobao, which is admittedly more for consumer sales. The Taobao site is only available in Chinese or an awful English translation, and I recommend you avoid it. It is very risky.

I would say that the only way to safely buy from Yiwu markets is to visit. I have always advised against people going to Yiwu markets to buy products for resale, for several reasons, but there is no doubt that it is possible to buy very profitably there. Many cheap discount storekeepers make frequent visits to buy inventory in bulk. For importers wanting to build a brand, continuity of supply could be an issue.

Personally, I would not bother going to Yiwu market. Here are the main reasons:

- One important issue regarding buying at Yiwu is that many of the stallholders sell liquidation stock, and also reject stock. There are two main problems in relation to this. One is that continuity of supply will be impossible. The other is that you may well have a huge number of returns from your unhappy customers.
- The place is so big that it is mind boggling. The market covers 1,000 acres and has mostly small manufacturers and merchants renting 70,000 stalls. That is a lot of ground to cover on foot.
- You would need to hire an interpreter. Having been required to use a translator in my exporting days when I was selling product to China, I can tell you that it puts you under a serious disadvantage. There is a big risk that they may say in English something quite different to what the vendor says in Chinese. That relates to prices in particular. They may quote you much more than what the merchant wants, and then handle the transaction for you, pocketing the difference. Also, you don't know if the interpreter has a commission arrangement with a number of vendors and thus steers you in their direction.
- Many of the stalls resemble Middle Eastern bazaars, resulting in brain overload from the constant bombardment of vast quantities, varieties, and colors, increasing the risk of making regrettable decisions.
- If you buy from multiple stores at Yiwu, you would either have to carry them away with you, and organize freight, or you can arrange for the Yiwu Fair owners to use the market's freight consolidation system to organize shipment for you. They will consolidate orders from several stallholders for you, thereby saving freight, but you have very little control. Your interpreter has to guide you through that process. Total freight cost will be unknown until you complete all purchases and the consolidation process, but it will be a lot less than paying for each shipment separately
- Purchasing decisions and payments must be made on the spot unless the vendor speaks good enough English for you to continue communicating via email or phone after you return home.
- Prices will be mostly quoted in Renminbi (Yuan).

If someone is determined to visit the market for purchasing, they should search the website first and identify the suppliers and stall numbers they want to visit. Allow at least 2 days if visiting only 8 or 10 preselected vendors. Allow at least 4 days to a week if browsing.

16.5 Visiting Potential Suppliers.

Part or even the sole purpose of your travel could be to visit possible suppliers. You should try to time your trip to coincide with a trade show. Before arranging your trip, you should locate possible suppliers. You can do this by various means described in Chapter 12.

Ask if they are planning to exhibit, and if so tell them you will visit them at the show. If they are not exhibiting, arrange to see them during your stay in their city. Allow plenty of time between appointments, because travel times in Chinese cities and in Taipei can be very much more than you would expect if you estimate time based on distance.

When you leave your hotel to visit suppliers, trade shows, or even to go sightseeing, always take some of the hotel's business cards with you to show to taxi drivers, otherwise you may wander in a strange city for days before finding your way back to the hotel.

16.6 Business Cards.

The exchange of business cards is an important ceremony in Chinese society and should not be neglected when visiting Chinese businesses. If you are planning a serious sourcing trip, you should take a supply of business cards. They should be printed in English on one side and in Chinese on the other. Having a business card printed in Chinese will impress suppliers and they will take you more seriously.

When a card is handed to you, keep it in your hand. Don't put it straight in your pocket, wallet or for the ladies, your handbag. It is acceptable to place it on the coffee table. You should return the compliment of being given a card by handing the person one of yours.

If you really want to impress, you could have one set printed in Mandarin and another in Cantonese, but to use these effectively you would need to research and ascertain which dialect is used in the various Chinese cities you plan on visiting. This benefit can also apply to emails. You could have your signature section translated into Chinese and using that will also impress. It is satisfactory to use only Mandarin, which is the more commonly used dialect nationwide, being one of the official languages, but Cantonese is spoken by most people in Hong Kong.



17 ORDER PROCEDURE AND CHECKLIST

If you are not confident that you have general business knowledge and are aware of your responsibilities in relation to record keeping, taxation, insurance and government regulations, you should *seek advice* before starting your new venture. I cannot provide such advice for you.

Here is a checklist to help you through the procedures if you wish to import:

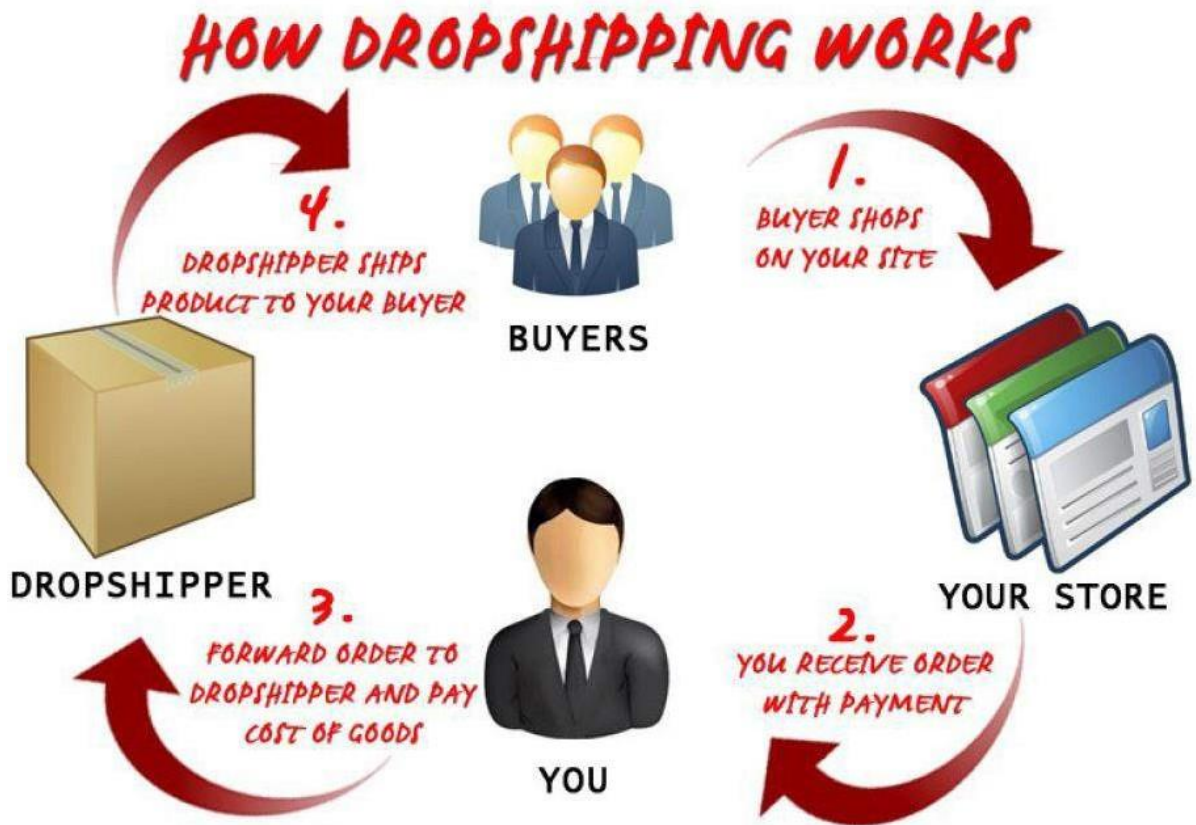
- **First do your research** - as far as possible make sure that there really is a profitable market for the product/s you are thinking of importing. If you choose to ignore this point, I suggest that you may be heading for financial disaster. I cannot overemphasize the importance of this point.

I recommend that you consider having precise product specifications drawn up. This specification schedule will make it possible for you to have quality inspections done either during production or before loading for shipment to your destination. See Ch. 28 Inspection Services. If you intend having quality inspections carried out, you should tell the supplier early in your communications with them. This helps to encourage them to maintain good quality control themselves.

- Locate a suitable supplier (preferably several) and obtain a quote for the items that interest you, ensuring that the quote includes specifications, price, delivery and availability. Even if they have provided you with a price list, you must ask for a quote before deciding to place an order.
- Make sure that the product/s comply with any regulations, quota restrictions, etc. ***At least*** for your first few transactions you should seek specialist advice, usually from your Customs Broker.
- Email or fax the supplier to place an order. Be sure to repeat full details of the product you intend ordering, and refer to their quote that you are accepting. Also request a Pro Forma invoice [See 33.15].
- Once you receive the Pro Forma invoice, make sure that all the details such as price, dispatch date, and freight method, as well as payment terms are as agreed in previous discussions or correspondence. In practice, a Pro Forma invoice functions as a sales agreement, and no other form of agreement is usually necessary. The Pro Forma Invoice should be signed, preferably with a chop stamped on it. A chop is a seal.
- ***Carefully*** confirm the order in writing using fax or email. It is ***essential*** that your order should give exact details regarding quantity, quality, price, freight method, freight terms, dispatch date, as well as any specific requirements such as packaging, weight, colors, size, etc. Your order should include a request for confirmation. It is also important to specify that the supplier must notify you upon dispatch. If using email, set your email program to require a read receipt.
- Once you receive from the supplier written confirmation of the order, which might be in the form of a revised Proforma Invoice, ***check it thoroughly***, and then arrange payment as required. This could involve obtaining an L/C, or possibly advance payment in full, or payment of 30% or 50% deposit, with the balance payable prior to dispatch or upon receipt of goods, depending upon how successfully you have negotiated the terms. If you delay organizing payment, ***you will inevitably delay shipment***.
- At the time of making payment you should remind the supplier that you must have a commercial invoice to accompany the goods. You should also ask for a copy via email or fax. Air couriers or freight forwarders will not accept any goods without such an invoice. If using EMS, you should specify that one copy of the commercial invoice should be attached to the outside of the parcel and one copy should be packed inside the parcel.
- As you will most likely be using the services of a Customs Broker or a freight forwarder, when you receive notification of dispatch, you must immediately advise them of the details of the shipment including AWB [See 33.1] number, tracking number [See 33.17], or EMS [See 33.7] number and be sure to provide them with a copy of the commercial invoice.
- If you are importing without the help of a Customs Broker, you just await notification by the airline, courier service, or postal authorities and then proceed to clear the goods through Customs..... ***but again, do-it-yourself customs clearance is not recommended***. If the shipment is by EMS and the value is below the threshold set by your Customs authorities (see the

subsection “*Another way to avoid a lot of red tape*” in Chapter 3 - Rules and Regulations) the postal service will usually do the customs clearance work for you.

- Immediately upon receipt of the goods, check them for compliance with your specifications. If you find errors in any way, such as quality failings or shortages in quantity, notify the supplier immediately. In most case, reputable suppliers will usually do their best to remedy the problem. Sometimes a photograph may help to satisfy them that your complaint is reasonable.



18 DROPSHIPPING EXPLAINED

The popularity of dropshipping is due largely to new entrepreneurs not knowing how easy it is to import small quantities of items at prices that will allow them to sell at good profit margins. People using dropshippers often do so because they lack the funds to purchase stock for sale and they lack the confidence to purchase stock that they have not yet received an order for.

Dropshippers are mostly importers and wholesalers who are willing and able to risk their money on buying relatively large quantities of items that they believe they can sell. They depend on small business operators to make the sales, and the small business operators in turn depend on them to deliver the goods direct to their customers. Dropshippers promise quick, ex-stock delivery, often overnight.

A new breed of overseas dropshippers has now emerged in Hong Kong, mainland China, and some other places. They ship direct to the small business operator's customers in countries all over the world.

Many people complain that dropshippers sell in direct competition with them and often do so at prices that they could not possibly match. Another common complaint is that they will stop supplying a certain

product but do not notify their resellers soon enough. The result is orders paid for by the reseller's customers, but not delivered. Feedback ratings suffer because of this.

On the other hand, it sounds so easy, doesn't it? But do the benefits outweigh the costs? To answer these questions, you need to consider:

- Whether you are buying from local wholesalers or from Chinese wholesalers, you will not get anywhere near the lowest prices possible.
- The wholesalers get to know exactly who and where your customers are. Some may act ethically with that information, but can you be sure? Do you want your customers to be flooded with advertising that may be for items that compete with you?
- Wholesalers may run out of stock and meanwhile you have made sales but cannot deliver. Your customers will not be happy and your reputation will suffer. You will also very likely have costly cancellation or refund fees to pay your merchant provider.
- Delivery times from Chinese wholesalers can be much longer than your customers want to wait, and can cost you much more than local delivery. Depending on shipment value, your customers may find that they are hit with duty and tax charges that they did not expect. Carrying a small inventory ensures that you control delivery times and you can suspend sales if running short of stock.
- Few people seem to be aware that when you buy from a dropship supplier, that constitutes a B2B transaction. In all countries that I am aware of that have distance selling regulations or other consumer protection laws, such transactions are not protected. In other words, you do not have the consumer protection rights that you must give to your customers. Regardless of the legislative provisions, if you sell through eBay or Amazon, or if the customer has paid using a credit card you know they can claim a refund at will and get away with it. They may change their mind because a new model has been released and they want to update. Imagine if a new model phone release catches you by surprise while you are selling a now obsolete model. Dropshippers will not give you a refund unless the goods are faulty. Meanwhile you may have to refund hundreds or thousands of dollars and allow the customer to send the goods back to you. Where will you find the funds to finance your new inventory? Until then you had no inventory - the dropshipper carried that for you.

With all the information you have learned from this book, you now know that you can buy small quantities and make high profits in the process. Provided you have done your research and can sell the items you import, wouldn't you rather keep all the profits for yourself rather than share them with a wholesaler?

There may be times when you may want to go to a local wholesaler for supplies. The only time I have ever done so was when I had an existing customer wanting a small quantity of an item that it was simply not worth my time importing. I obtained supplies from a wholesaler and made a very small profit in the process, but I kept a good customer happy.

Important note about Aliexpress dropshipping: There has recently been a huge increase in dropshipping using suppliers on Aliexpress. This is largely a result of promotion of the idea by people making extravagant claims to sell courses on the subject.

Many of those courses that I have reviewed recommend selling counterfeits, fakes, or genuine big brand name items, that have been acquired outside authorized channels. People selling these courses often provide proof of income claims by blatantly displaying their websites knowing that they are operating illegally.

Some go so far as to advise setting up the business in a jurisdiction where Intellectual Property Rights (IP) are not enforced.

Litigation is under way seeking penalties against hundreds of sellers who have followed this illegal business system. The first step taken by IP owners was to shut down the offending websites. As a result, those businesses ceased trading overnight. Those located in countries where IP rights are protected will suffer substantial penalties when judgment is given.



19 COUNTRIES OTHER THAN CHINA?

Although most of the detailed information I have provided relates to importing from China, I do not want you to think that China is the only place to consider when looking for suppliers. Currencies fluctuate and industries come and go. Japan was once the low-cost supplier to the world until South Korea assumed that role. Then Taiwan took over from South Korea.

When I was exporting to Taiwan, I recall hearing complaints from my agents there about price competition from mainland China. I now hear similar complaints from some of my contacts in China, who struggle to compete with Indian companies in certain product categories. Also, many Taiwanese companies have set up factories in Vietnam and Cambodia, and now mainland Chinese companies are doing the same.

I suggest that you might also consider suppliers in countries such as those I have listed below, ***even the United States!*** Searching in countries other than China can often result in finding unique products.

India is a special case. I do know one successful importer who has imported from India for quite a few years and has obtained excellent results. His secret is that he never places an order unless he is in India and can see the goods for himself. He then personally supervises the packing of the goods and sits in his supplier's office while freight is booked.

This is an expensive and time-consuming process, but he has found it works well for him when he buys container loads of high value giftware which he retails through his own chain of small giftware stores.

The Indian export industry still has a long way to go to catch up with countries like China. My personal experience and that of business associates, other than the one mentioned above, in dealing with Indian suppliers has not been happy. Dealing with large organization in those countries may be satisfactory, but small to medium enterprises have caused problems for myself and for others whose personal experiences I know. To be fair, I am aware that although it is not the only reason, erratic electric power supply is often the cause of poor performance by small Indian suppliers.

On one of the Indian sourcing websites I have listed you will find many suppliers with “Trust Certificates” issued by Dun & Bradstreet. These are issued after a much more comprehensive process than D&B apply to suppliers in other countries, and they do provide a reasonable level of security.

Having mentioned Dun and Bradstreet, I will explain about DUNS numbers. You will often find these quoted on B2B sites, and they can be valuable tools for verifying business credentials when considering buying from a supplier. These numbers are issued by Dun and Bradstreet after thorough investigation.

I have listed below a number of sites covering countries other than China. I have thoroughly tested and researched them and they are in my opinion safe to use. Many of them are established by **trade associations** or government authorities whose objective is to assist their members in finding export markets. They will happily provide you with contact details for companies within the industry sectors that you nominate.

To locate the nearest office of one of the above associations, or to ascertain whether another country of interest to you has an association, contact the relevant country’s commercial attaché or consul. If they have no export trade association, the consul will possibly be able to provide a list of companies supplying goods that interest you.

Contacting potential suppliers via their country’s consular offices will usually provide a high level of security, because scammers are highly unlikely to use official government sources to promote their activities.

Consular staff usually prefer to deal with larger importers, but they are there to promote their country’s exports, so they will almost always deal with your inquiry. You will need to tell them what product categories you are interested in. Tell them you would like to be introduced to exporters who manufacture those products.

- **AFRICA** africaexports.co.za

Search by product in the keyword box. If there are suppliers listed, a new page will open with a list of sub categories. Among them you will find manufacturers. Not all will have websites listed but if they have a site you could find it via a Google search. I found some listed as manufacturers who were also clearly traders, but they did manufacture some items.

I found some quite unique products on this site.

- **BRAZIL** vitrinedoexportador.gov.br

On the home page enter your product or category keyword and click CONSULT. Results will appear showing websites in Portuguese. Some will have an English option, but if not, cut and paste to Google and get a translation. Don't try using translations of the contact email addresses or your email won't be delivered.

Special note for those in Brazil wanting to import to that country: Importing into Brazil can be very difficult. Use a forwarder such as BDP International, but if you intend handling shipment yourself, provide the shipment is no more than 150 lbs, DHL might be suitable. They have Customs Brokers on their staff in Brazil. You need to make sure that when they quote you door to door it must include every cost except of course duty and VAT. They will pay that for you and you repay them, usually before they will deliver to you.

Whichever way you go, you need to find out before you place an order for the goods, what the cost will be to your door. That includes having them tell you the duty rate.

So that you won't sound like a newbie, here is some information that you could refer to when talking to them:

In Brazil, the HS code is called NCM. An importer must obtain a Siscomex Import Declaration (DI). That is not an import license. Most goods entering Brazil do not require an Import Licence (LI).

There is a huge range of costs possible, so it is imperative for you to get the full story from someone experienced in customs work in Brazil.

- **BULGARIA** export.government.bg/ianmsp/en/foreign-companies

This government site promoting exports is a nightmare to navigate, so I have provided a link direct to their National Export Portal. Click on Bulgarian companies looking for partners. There is only a small list to choose from.

- **CZECH REPUBLIC** czechtrade.us/search.php

Operated by National trade promotion agency of the Ministry of Industry and Trade. To save you time I have displayed a shortcut link to the search page where there is a database searchable by product category

- **ESTONIA** estonianexport.ee/

Not an easy site to use. Product search does not nominate any category headings for you, so you have to enter any category that might interest you. Patience is needed. It will probably be easier to email the Chamber of Commerce at mkoda@koda.ee and ask for a print copy of the 154-page export directory.

- **FRANCE** ubifrance.com

A French government site. They have a lot to learn about making a site user friendly, but if you persevere you can find some outstanding products, many of which will be unique to you if you choose to import them. If you find it too difficult to locate a product of interest, contact their local office nearest to you for help.

On the home page, you will find a list of countries where they have offices. Click on your country for contact details.

- **GREECE** exportgate.gr

This site is undergoing a lot of changes. The easiest way to find Greek exporters is to use the contact form here: pse.gr/node/37/en You will need to specify a product category, although a general request for a list of exporters might get a response.

- **INDIA** tradeindia.com

The verification process known as Trust Stamp is too much like the one used by Alibaba and in my opinion provides inadequate information for buyers to make a safe judgment regarding suppliers' reliability. As a result I can't recommend using this site unless you are very confident in your due diligence skills.

Alternative approach for INDIA: Go to goidirectory.gov.in/country_wise_view.php?ct=I001. Enter your country's name in the search bar. The results page will list cities in which there are consulates. Click on one of those city names. You will be redirected to a consulate website. Scroll down and click on Commercial Representative. This will open a page where you will find the name of the commercial consul, and an email address. You can ask them to provide a list of exporters for the product category that interests you.

- **INDONESIA** djpen.kemendag.go.id/

A government site, with a limited number of listings, but a good place to find products probably not seen in your market. It is worthwhile signing up for full access.

The site has a unique search facility enabling you to search by HS code. If you know the code for the product you want, click on Buyer near the top of the home page, then on the drop-down menu click on Finding Products and Supplier. This opens a search page where you can search by category or HS code

On the next page, you will have results that might include results totally irrelevant to you keyword search, but it also presents a category menu on the left. Some categories display sub-category headings.

- **ITALY** italyexport.net/indexeng.htm

The keyword search facility is almost useless, so on the home page click on PRODUCTS. A menu opens on the next page listing product categories.

- **JAPAN** jetro.go.jp/en/ This is not a sourcing site, but an official government site where you can find details of commercial consulates in many countries. At the bottom-left corner of the home page click on JETRO Worldwide Offices. There you will find a list of those countries where they have offices. Click on your country for contact details.

They are more interested in getting people to invest in Japan, but it is worth trying them to provide a list of exporters for products in a category that interests you.

- **MALAYSIA** matrade.gov.my

Click on For Foreign Buyers. Then you can search for products by clicking on Malaysia Products Directory in the menu in the left-hand column of the page. It is worth also looking at the Malaysia Export Exhibition Centre (MEEC) which is at the bottom of that menu. There are 500 permanent exhibitors at the Centre.

- **MEXICO** diex.promexico.gob.mx/en/

A Mexican government site. Insert your category in the Goods or Services box. The next page presents a list of suppliers. Don't bother clicking on a suppliers name at the top, because it rarely provides any information. Instead, click on their website link.

Many of the sites I checked appeared to be retail sites, not exporters, but it may be worth making an inquiry.

mexconnect.com/articles/3308-m%C3%A9xico-s-trade-Commissions The home page has a list of links to all of their offices worldwide. Ask them to provide a list of exporters for products in a category that interests you.

- **SOUTH KOREA** buykorea.org

KOTRA has set up a sourcing platform similar to HKTDC, but it is not as user friendly. It does provide daily news on new products being offered, but readers should be aware that others may also find the new products of interest so you may not be the first to market.

The buykorea.org site has some advantages in that it provides for purchases up to \$10,000 to be paid for by credit card. To use that service, you must have a verified card (Verified By Visa, Master Card, Secure Code, J/Secure, etc.). On the site there are instructions on how to have your card supplier verify your card. This process gives added security for both buyer and seller.

If you are looking for quality products, Korea is well worth considering. Please note that some Korean suppliers offer brand name products, but it can be risky to import such products. I urge my readers not to try importing brand name products.

- **TAIWAN** taiwantrade.com.tw

I have placed Taiwan in this section: “other than China” because the government of Taiwan and the Government of the People’s Republic of China dispute sovereignty and I make no political decision on that issue.

The website is similar in some ways to the HKTDC site, both being operated by government or semi-government organizations.

It is also worth looking at the Taiwan trade show site.

taiwantradeshows.com.tw/ There are nearly 100 trade shows listed.

Here are some other Taiwan owned sites worth visiting. They list a number of Hong Kong and mainland China suppliers as well as many in Taiwan and many have factories in both places.

chinasources.com.tw

This site does not have any rating system, but from what I have seen it appears that most of the listings are manufacturers unless they say otherwise. They have websites with addresses and full contact details which suggests that they are reputable.

b2bchinasources.com

Although they display a Guangdong address, this is a Taiwanese owned website. Almost all suppliers listed are in Taiwan. Search by clicking on the category of interest. Then click on company name. Look at the supplier’s “Home Page,” then click on the D&B Registered symbol to view the D&B number. **Only** consider suppliers with a DUNS number.

They list a large number of “Golden Suppliers,” but you can ignore that qualification. Instead, I would rely only on the DUNS number.

This site is operated by the same company as b2bchinasources. Search in the same way. See above regarding “Golden Suppliers”: manufacturers.com.tw

It is worth noting that many of the manufacturing businesses in mainland China are managed by Taiwanese executives and technical personnel. Some are 49% owned by Taiwanese companies.

The quality of products made in Taiwan will usually be superior to the equivalent product made in mainland China. Some Taiwanese companies offer buyers the choice. In my experience, products made in mainland China under the supervision of Taiwanese personnel are not inferior to those made in Taiwan.

- **THAILAND** thaitrade.com/home

The Thai government site now has a cooperative arrangement with other B2B sites, including Alibaba, and the site now looks like a clone of Alibaba. In my opinion, the trust benefit of

searching a government export department site has been lost. There is no information on supplier verification.

An alternative way to source from Thailand and other countries is to search on the other websites you trust and filter for suppliers from your preferred country.

- **TURKEY** turkishexporter.net There is no way of checking onsite the trustworthiness or reliability of the companies listed. Searching will be slow, but could be worth it because Turkish manufacturers have such a fresh approach to design and innovation that it is possible to find products or styles of existing products that are not available elsewhere. Click on the category, then on subcategory. The listings are bland, but it is worthwhile being patient and checking out most of them.

When you click on a supplier's name, there will usually be very little information. The company advertisement link only shows a JPG picture, but that can be informative. In addition to a picture featuring one or more of their products, sometimes it reveals a website name or email address. Accessing the website will usually require using a translation.

If there are no other contact details, you have two options:

1. Send a fax if a number is listed.
2. Complete and send the contact form.

- **USA** thomasnet.com

This site lists a vast range of US companies producing industrial and consumer products. Not all of them would be interested in exporting, but many of them would. Some would be willing to wholesale products to you. Most listings are of US companies, but with many listings now by Amazon, you will find suppliers from other countries will appear at times.

You also need to be aware that many US companies listed as manufacturers, manufacturer some or all of their products in factories they own in low-labor cost countries.

To locate US manufacturers on this site, after signing up, you need to search as follows:

1. Scroll down to near the bottom of the home page and click on Buyer Discovery. The next page displays the heading Find Trusted Suppliers.
2. Search first for Product/Category. The result might be a huge list of various types of product within that category and you will see Optional Add Supplier Qualifications.
3. Under Company Type you can select Manufacturer or Custom Manufacturer and that will narrow down the search.
4. Choose or ignore other selection criteria.

5. Click on View Suppliers.

As you look through the list you will be able at a glance to reject some, but for those you want to check out you can click on their detailed entry and you can go to their website. Be aware that **some** will identify as manufacturers and although located in the USA, they manufacture overseas.

[thinkglobal.us](#) is a site that publishes a magazine: “Commercial News USA” in conjunction with the US Government’s Commercial Service. The magazine can be viewed online or you can obtain a free subscription to the paper copy. All of the advertisers are there because they are keen to export. Some offer products or services at very good prices due to the low value of the US dollar, but I have found some that quote wholesale prices higher than I can buy at retail.

The site has become more international in recent years and I have found some American companies offering products that they have imported. There are also quite a lot of suppliers from countries other than the USA.

Search by entering your product or category keyword in the search box at the top of the home page.

NOTE: When you click on the search Icon, a drop-down menu gives options including company name. If searching for a specific brand that might help.

- **VENEZUELA** [ddex.surebase.net/](#)

Click on Export in the top menu. You can then search by category. The great majority of the categories deal with industrial goods and food, but there is a growing number of consumer product categories in the list. I can’t find evidence of any verification procedures.

- **VIETNAM** [vietnamexport.com/](#) This government site has a limited number of suppliers listed. Search by category. Few of the suppliers have website addresses shown, and some that are shown have broken links. If you persevere you could well find unique products.

[vccinews.com/exporter.asp](#) is a Chamber of Commerce site that lists many more suppliers and is reasonably easy to search.

NOTE: Don’t think that the Vietnamese term Joint Stock Company refers to share trading, it simply identifies the company structure.

- **WORLDWIDE** [importers.com/index.php](#) is a Canadian B2B sourcing site has been taken over by Alibaba.

Most large B2B sites have search filters that enable you to search for suppliers in countries that specifically interest you.

- **WORLD TRADE CENTERS** For sourcing requests, World trade centers are located in countries around the world, but they operate independently in each country. Many of them have a product sourcing or supplier sourcing system. Using this system could enable you to locate suppliers that are not listed on any of the B2B sites.

Generally, they will be larger companies, but I have in the past found many small go-ahead businesses who have joined their local WTC in the hope of expanding their business. Their presence in the WTC system means they are keen for business, but it can also mean that they have little or no experience in the export process.

Look up the WTC in any country where you think there might be manufacturers of products that you would like to import. Open the WTC site wtca.org/ Click on Locations, then on the region. This will then show you a list of all the Trade Centers in that region. Click on the city or cities of interest. The address and other contact details will appear. With the address, there will be a contact form and usually a website link.

Use the contact form to say that you are looking for exporters of product X. I suggest you only refer to a product category. Some will not have such a service, but most will.

- **OTHER COUNTRIES NOT LISTED** panjiva.com/search

In 10.8 I wrote about searching by company name to help identify manufacturers. This site can also be used to locate suppliers in other countries not listed above. The process can be very slow and frustrating.

- Open the site, sign in, and enter your product type in the search bar.
- Under the small list of countries, click on “More Locations”.
- Click on the countries of interest.
- Click on a company of interest.
- Do a Google search for that company name. If you find a website check it out. If you don’t find one, contact the Commercial or Trade Consul for that country and ask for contact details.

I did a trial search for footwear, and limited the filters to The Dominican Republic, where I found D’Clase Shoes. My Google search turned up their Facebook page, but no company website. Communicating via Facebook would easily provide contact details if I wanted to pursue this lead.



20

“JUST IN TIME” ORDERING SYSTEM

The “Just in time” system is used mainly by very large manufacturing companies such as General Motors. I have designed my own system by adapting the general concept to suit small scale importing.

In large scale manufacturing, the cost savings of this system are mind boggling, but on a small scale they can make or break a small entrepreneur starting off as an importer with very small capital. It is only suited to products that are suitable for Air Courier delivery.

Here’s how it works:

- Go through the proper processes of deciding on a product or products to market.
- Source supplies, ensuring that you have at least one back up supplier for each product.
- Remember that all quotes must include door-to-door Air Courier delivery.
- Place orders as small as the supplier will allow and as large as necessary to give you a reasonable amount of inventory.
- Set your marketing program in action.
- At least daily, monitor sales and see if the product is selling well. Use that monitoring to assess what is the likely time before you will sell all the items in your inventory.

- Knowing how long it took to receive the first shipment, place a repeat order. If you have left it a bit late, put a temporary hold on your marketing until you have been advised by the supplier that they have dispatched the goods.
- Repeat the process as often as needed. It may be that sales progress so well that you will need to place larger orders, but
- Consider the alternative of ordering more frequently. This may cost a little more in freight, but if your shipments are below the duty-free threshold, there will be a savings on duty paid, and in some countries, you may also legally avoid sales tax.
- If ordering very frequently, make sure shipments are sent at least 3 days apart, as explained in Chapter 3: Rules and Regulations.
- Once you have found a supplier who seems very cooperative, tell them that you want to use the “Just In Time” ordering system which involves frequent smaller orders. Tell them that you have found that by this method you can actually sell a bigger volume, which means more sales for them.
- Finally, if you have found such a supplier, you will very likely be able to negotiate a monthly account with them after you have established a good record with them. See 15.1 regarding monthly accounts. It could be appropriate to raise that as a possibility if a supplier seems reluctant to agree to your “Just In Time” proposal.
- Splitting your orders can also be effective, see Ch.14.4



21 SOURCES OF FREE INFORMATION

Customs websites can provide a great deal of helpful information, and they are free of charge. The following are examples of useful sites:

- **USA** cbp.gov

In the home page search box type in: “Tips for new importers.” The first document to appear will have that name. It is worth reading, but do not be alarmed by some of the complexities revealed. Use of a licensed Customs Broker or a freight forwarder can save you having to understand much of the technical information.

- **CANADA** cbsa-asfc.gc.ca/comm-eng.html#_s1

There is so much information on this site that you can spend hours learning a lot about importing, but we suggest, if you have a dog, why bark yourself? Save time and use a Customs Broker or a freight forwarder.

Another very helpful site is: international.gc.ca/controls-controles/about-a_propos/import/permits-licences.aspx

but again, do you really want to cope with all of the technicalities yourself?

- **GREAT BRITAIN** businesslink.gov.uk

While there is a mass of information on that site it is not as user friendly as the USA and Canada ones. A very helpful private site is business.hsbc.co.uk

In the search box type “importing”, and then click on the link Importing and Exporting - Business Support: International Business: HSBC UK.

- **AUSTRALIA:** customs.gov.au

This is one of the least helpful sites, which is a reflection of the general attitude encountered in dealing with this bureaucracy.

Wherever you are operating your business, you will usually find that your Customs and Excise office will assist you in handling the clearance requirements in relation to your first shipment, but from then on they will not be willing to help at all.



22 FULFILLMENT SERVICES

Many people wishing to import may not have space available to store even a small inventory. Perhaps they are working full time and do not have the time to pack and post every order.

Fulfillment services can be a very effective way for such people to handle the storage, packaging and shipping of their individual orders. Probably the most popular service as already mentioned earlier is the one provided by Amazon, known as Fulfillment By Amazon (FBA). One big benefit of using their service is that it entitles you to sell on the most shopped online site in the world. Before items can be sent to Amazon FBA however, they will have to be properly labeled and prepped for Amazon's warehouse. For a small price, you can actually have your inventory shipped to a third party who will handle the Amazon preparation for you. For example, check out this service: mysilentteam.com/public/901.cfm

The labeling service referred to on that page will completely handle the process of preparing your inventory. This means no matter where you live in the world you can have inventory shipped to the above service, and they will label and send your inventory on to Amazon for you. There are other fulfillment services around the world that will perform similar services for you, but if you plan to sell on Amazon, this is where we suggest you start.



23

AGENTS, TRADERS, WHOLESALERS – Definitions

Agents act as sales representatives for manufacturers, usually ones where there is no English-speaking staff, or no marketing ability. They will sell any product and have little interest in the product itself. They receive a commission on all sales.

Traders are not usually paid on a commission basis. Their income is from a margin they can obtain by buying from the manufacturer for less than they sell to you. Usually they only offer generic products. Many are plainly opportunists who identify popular products and advertise them while rarely having inventory. They will often do so without any formal agreement with a manufacturer. After obtaining an order and deposit from you they then search for a manufacturer who will sell to them at a good price.

This partly explains why they will not reduce the big MOQs that they specify. Firstly, they want to make as much profit as possible in one sale, because they know their chances of repeat orders are slim. Secondly, the big numbers make it easier to persuade a manufacturer to supply them.

Here's how they operate: 1. They obtain product illustrations by various means such as from a manufacturer's website, magazine advertisement, or a printed catalog. 2. They advertise on sites such as Alibaba. 3. They obtain a deposit. 4. Next they contact the manufacturer. 5. If successful in negotiating with the manufacturer they order and then ship to the reseller. 6. If unsuccessful they offer alternative

products and as a last resort they refund, provided it is not a scam.

Traders rarely have much influence with the manufacturer so smaller MOQs or small modifications to a product or even to packaging will often not be possible.

Wholesalers theoretically carry inventory, but in practice that is often not the case. Those who identify as wholesalers but do not carry inventory are traders in disguise.



24

MANUFACTURERS NOT WHOLESALERS OR TRADERS – WHY?

First let me say that some wholesalers advertising in China are genuine stockists with long-standing arrangements with manufacturers.

Wholesalers are not charities. They don't pass on any discount they might get for buying in bulk. They are in business to make a profit by buying from manufacturers, adding their margin, and selling to resellers. If you buy direct you get to keep that margin. The profit that wholesalers make comes simply from the fact that they buy direct from the manufacturers. Only a tiny part of it might come from ordering very big quantities. See Chapter 30 regarding discounts.

Businesses in China identifying themselves as wholesalers often do not carry inventory. In those cases, they are traders. See the preceding section on Traders.

Suppliers that are genuine manufacturers have a lot more to lose if they do the wrong thing by their customers. It is more difficult for a manufacturer to escape from bad reviews and reports to the safe sourcing sites regarding bad practice. Traders and wholesalers can readily change their name and carry on.

Problems with continuity of supply can occur if you buy through traders.



25 BUSINESS REGISTRATION and TAX ID

A common question relates to whether or not a business must be registered and Tax ID provided in order to import. The short answer is: NO.

In almost every country, when you first import anything commercially, if the value is sufficient to have to pay Duty and/or Sales Tax, you will be issued with an importer number. It goes by many different names in different countries, but it is an identifying number that allows Customs authorities to keep track of what you import, when, and the values.

It also makes it faster to lodge customs clearance documentation in future.

If an importer later registers a business and imports under that different name, a new importer number will be issued. There is no requirement for the importer to cancel the old number.



26 BUYING LOCALLY

Although importing is often the best option because of the generally lower prices available outside of developed countries, in some circumstances it may be worth buying locally.

Manufacturing industry is today a much more fluid field than it was prior to the internationalization of the world's markets that began in earnest after WW2. Now with the world being a global village, manufacturing will move from country to country following low labor costs and also technical skills and material resources.

One symptom of this is the slow return of some manufacturing industries to their country of origin after 10 or 20 years in lesser developed countries. As a result, I have seen quality products made in countries such as Germany, Italy and the USA being sold in other markets at prices comparable to products from China.

This means that it may be possible to buy locally at prices equivalent to, or even less than you can buy from Asian or other low labor cost countries. Freight costs in particular should be taken into account when considering this possibility. It is certainly worth checking it out in relation to the type of product

you are interested in selling.

One major drawback to this idea is that manufacturers in Western countries have a tendency to be reluctant to deal direct with small retailers, and insist on working through major distributors. This is a big factor in the growth of small importing businesses, because the distributors' margins eat into the profit margin available to small retailers.

Search for manufacturers in your home country who are advertising that they want to export. These are generally more entrepreneurial and may be more inclined to deal with smaller local businesses. Use the sourcing sites in my book that relate to your country, or inquire through the trade department responsible for exports.



27

CAPITAL REQUIREMENTS FOR IMPORTING

This burning question cannot be answered definitively. There are many variables, so the best answer is probably that I would personally want a minimum of \$1,000 to begin on a small scale.

I know of some who have begun with only a few hundred dollars, and that is OK provided the new importer is willing to see the venture as one that will take a considerable time to turn into a viable business. The importer must be absolutely certain of his/her ability to sell all of the items imported, and to sell them at a good profit. The importer then must be willing and able to plough back into the business all of the profits in order to buy more inventory. A high profit margin is crucial to success in this scenario.

As proof of the last statement, let me tell you my own personal experience. It was not importing. It was a B2B business in which I re-labeled some very specialized industrial products. I knew I could sell them under my own label, but I had almost no capital – in today's money it would have been about \$500.

By selling at a very high price I was able to feed my family, and pay my suppliers. On a sale of \$1,000 I made \$600 profit. Without that high margin, I would have been broke within a few weeks. It even allowed me to gradually build up inventory, and later move into manufacturing my own product with an even higher profit margin.



28

INSPECTION SERVICES

I strongly encourage the use of inspection services for quality, safety, and legislative compliance matters.

Inspection services in China are multiplying rapidly and it is common on some business forums to see numerous Chinese individuals jumping on the bandwagon and offering their services.

The big question is how well do they do their job, how reliable are they and are they ethical? I will first deal with inspection businesses offering their services on B2B websites. I will use Alibaba as an example, because they have a huge number of listings for inspection services.

I did some research on four out of the multitude of Inspection Services listed on Alibaba. I find it disappointing that Alibaba's listing of inspection services contains mostly obsolete information. I checked out those four services quite extensively, and found that none have transactions listed less than two years earlier. This begs the question whether the quality of the services listed has been maintained or has it dropped off?

Also, the charges shown are mostly obsolete. In fact, the rates for the ones I checked had risen substantially above the rates shown on Alibaba's list. For example, one that lists charges at \$103 per man day now charges \$180.

Inspection services in China are completely uncontrolled. Some of the services listed by Alibaba quote membership of bodies that I have never heard of. In effect, their whole system relies entirely on trust. Knowing that there is no verification process whatever, and that Alibaba will list for a fee any person claiming to be an inspection service does not instill trust.

One of the inspection services listed quotes a rate much higher than that charged by the century old European services, but in the list of reviews the amount charged in each case is shown as \$0.

Summing up, I would suggest you be absolutely sure what you are paying for before you employ any of the services listed. It would probably pay to also get a quote from one of the services I list below. I think it is significant that Alibaba's rules relating to Trade Assurance claims specify that **you must have an inspection done by one of the 3 big European Inspection services — SGS.**

Here is a full list of inspection companies that I consider to be reliable. They are not in order of preference, and just because a company is not listed that does not mean that I consider them unreliable.

- Bureau Veritas
- TUV Rheinland.
- SGS
- Intertek
- Sinotrust
- *KRT Audit Corporation (US based)
- *Cotecna
- *Topwin. This Chinese service offers lower rates than most. A number of my book users recommend Topwin. Contact them on: safeimporting@topwin.com

* These three are about 100 years newer than most on the list. Most of the first five were established in the 19th Century.



29 CERTIFICATES

Certificates are required for many products including toys, electrical, chemical, clothing (in some cases) even kitchenware might need them. I don't bother keeping up to date on the ever-changing regulations, so I would rely on a Customs Broker to advise me on that subject.

This is such an important subject that I have provided detailed information for you. This is not so much for you to be an expert on the subject, but so that you know how important it is, and how to protect yourself.

Certifying authorities are mostly private enterprises and their value depends upon trust and whether the company providing the certificates is accredited with appropriate government authorities. Most who provide certificates are also inspection services.

When you are doing business in a country where counterfeits are commonplace, never take anything on face value. Business registration certificates, compliance certificates, inspection certificates, are all items that are frequently forged or copied. Websites, logos etc., can be too.

A young entrepreneur asked me to help him by checking the validity of CE and ROH Certificates for an item he had considered importing. He told me that the sample looked good, but I had to give him the sad

news that the certificates are fakes. The certificates were the best-looking forgeries I have yet seen.

According to the certifying authority the Certificates do not exist. Below is a cut and paste of the notice they posted in response to my search, including their little mistakes:

"Sorry, the certificate does not exist warn of fake CE certificates

Fake CE conformance certificates are a growing menace in the safety industry. An increasing number of products are being sold, which have never been properly tested and are accompanied by fake CE certificates. This is putting lives at risk and exposing employers to possible prosecution. The certificate shown on the right is a fake, supposedly issued by a Anbotek test house, but in reality, this product was never tested by them. The product does not perform to the strict requirements of EN xxxxx."

(Anbotek is okay. See my comments later under **Simple DIY Checking procedure**.) The forging of certificates of every kind is endemic in China. This not only refers to such safety issues as those involved with CE and ROH certificates, but even business registration certificates are being forged.

If you don't have the required certificates — genuine and up to date — that can have serious consequences:

- Customs might hold your product and can ask you to provide the necessary certification. Failure to provide the certificates means Customs will seize your product.
- Even if the supplier has provided certificates, they might not be suitable if they (1) Are forged or (2) If the test does not cover the actual product, or (3) If the test does not relate to the legislated requirement.
- If you import products that require certification, and one of them causes a fire, or injury etc., if you can't provide the correct certificates, you could be liable to fines and in rare serious cases even imprisonment. Lack of genuine certification might even invalidate your product liability insurance, and you may suffer crippling damages in a lawsuit.

Certificates of almost every kind can be forged and often are forged. On the HKTDC site there are two labels that give certainty about the veracity of Certificates displayed or quoted by manufacturers. They are **"Compliance Verified"** and **"Certificates Verified"**. They generally cover the same issues and verify certificates relating to Corporate Social Responsibility, and other issues relating to quality control displayed by suppliers.

Certificates of inspection, company audits, quality inspections, compliance certificates or other certificates that might be required to satisfy government regulations are issued by a number of inspection companies in addition to those mentioned in the previous paragraph.

TUV Rheinland publishes a blacklist of companies in countries everywhere who have improperly

claimed that they have been certified by TUV:

TUV's list highlights the fact that forging of certificates is rampant in China. You cannot be sure that a certificate is genuine unless you check it with the authority that has supposedly issued it. Some others like TUV have checking facilities on their website.

If suppliers offer certificates provided by inspection services not included in my list above, you may want to check them yourself. I would never rely on them without checking. There are several Chinese "accreditation" services that sell certificates of dubious value. I must be cautious about naming such businesses, so you need to check.

Simple DIY Checking procedure:

- To do it yourself, start by checking out the supplier's website. See what registrations they claim.
- Obtain a copy from the supplier.
- Search eng.cnas.org.cn/ to see if they are accredited by the China National Accreditation Service for Conformity Assessment. If they are not, you should disregard the certificate.
- If they are accredited, send a copy to the certifying company with a request for them to authenticate it. You may get better service in this regard if your contact letter or email states: "I have some doubts that this certificate is authentic. I am sure that if it is not, you would want to know. Would you kindly verify authenticity for me?"

I have used this method and searched for some that have been referred to me by my book users. I found that a service called Entecerma is legitimate and certificates issued by them could be relied on provided you check that the certificate is genuine. They have an online facility to validate the authenticity of any certificates offered by suppliers. See: entecerma.it/certificate.php. All you need to do is insert the Certificate number in the box under "Certificate Verification."

I found another called Anbotek. Their site en.anbotek.com/Certification.php is not easy to navigate, but I was able to confirm that they are accredited by the China National Accreditation Service for Conformity Assessment.

I would be happy to accept certificates issued by both of these companies. If I wanted someone to do inspections or certifications for me in China I would even consider Anbotek because of their low cost.

Note: Because almost every business in China trades under several different names you may find the name on the certificate does not match the name of the company you are dealing with. That is not a concern provided you can confirm that it is the same business, just a different name.



30 MINIMUM ORDER QUANTITIES (MOQS), HAGGLING, AND DISCOUNTS FOR BIG ORDERS

While it is true that the larger the order the lower the price, the price differences for various order quantities can be surprisingly small.

As the economy has slowed, Chinese manufacturers in many industries have been obliged to work on low margins. Consequently prices quoted for their MOQs will often be near to the lowest price possible from that supplier. If a person wishes to order less than the MOQ, a manufacturer may seize the opportunity to gain some extra profit, even if the order is small.

If someone wishes to place a very small order, it is reasonable to expect that a higher price will be required to cover the cost of processing which will be approximately the same, regardless of order size.

If, however, an MOQ is 1,000 pcs @ \$5/ pc. and a new customer wants to order 100 pcs, the price should not go up beyond say, \$7. That allows \$200 to compensate the manufacturer for handling the small order. While I advise against haggling, this situation will often require negotiation that may resemble haggling. The best way to gain the manufacturer's cooperation is for the buyer to describe the small order as a "sample order."

The myth of big volume discounts: Those who think that volume means large discounts have never dealt with Asian manufacturers. Sure, they give discounts for larger quantities, but those discounts are usually very small. Orders of **double** MOQ may receive a discount of 5% to 10%, but often such quantity discounts will be a lot lower.

Over 22 years of importing, I found that discounts for volume were typically in the 1% to 2% range for doubling the size of an order. Multiply the MOQ by 10 and you might get a discount as high as 10% **if you are lucky**. Therefore, buyers should not expect substantial discounts for volume. In fact, as the volume increases, the % discount falls.

Warning: Hagglng can result in extremely low prices, but that will frequently lead to reduced quality. See next section on Quality. It also harms the business relationship and the supplier may choose to no longer supply.



31 QUALITY

This subject is of great importance if you want to establish a good reputation and enjoy repeat business, good feedback, and word of mouth recommendations.

31.1 Sourcing Agents and Quality Control.

There are quite a few importing information sites operated by people wanting to sell their services as sourcing agents, sometimes including quality control inspections. Some of the big B2B websites have advertisers offering those services.

The information provided on those information sites is heavily skewed to worry intending importers so that they will believe that unless they use the services of a reliable sourcing agent they are courting disaster. The things that generate income for them are fear and ignorance. The pitch is that if you go it alone in product sourcing you won't know who is a reliable supplier and you may finish up paying for faulty goods.

However, if you employ someone such as (here insert the name of the sourcing agent operating the site or affiliated with it) you can sleep soundly, knowing that they will eliminate every risk for you.

It sounds good in theory, **but who polices the policeman?** Are they really working for you, or are they secretly working for the supplier?

This is not theory. Don't forget that I have been importing since 1987 and I know it happens. Sourcing agents sometimes work on commission from the suppliers, and sometimes they charge you a commission. In reality, sometimes they get both, but they will never tell you that. Sometimes the great supplier they find is a relative or friend. Sometimes it is a company owned by the sourcing agent himself.

Typical charges for sourcing services are 10% commission, but as you can see, you might finish up unknowingly paying a lot more than that 10%.

Straight out quality control services do exist and some of them, particularly those based in Europe have a fine reputation. In Chapter 28, I listed a number of utterly reliable independent inspection services.

The problem is that for small businesses their charges can soak up too much of the possible profit unless the buying process has been successful in obtaining very low prices. A small shipment inspection will cost about \$250 to \$350 provided the inspection service is located in the city where the manufacturer is located. Most of the big European inspection services do have branches in the main manufacturing centers throughout China, so most are covered.

I would employ an inspection service if my orders exceeded \$2,000 but I would use one of the lower cost Chinese services such as Topwin or Anbotek. Once you get to the point of ordering in the five figure or more range, inspection services will almost certainly be well worthwhile. Some of those companies will also provide sourcing services, but I believe that doing it yourself can be a very safe process and can save you hundreds and even thousands of dollars.

31.2 Cost Cutting Measures.

Although China is renowned for low prices, those notably low prices often result in manufacturing down to a price. I have seen prices for very low value items quoted to 2 decimal points of a cent e.g.: \$0.0624 per pc.

Once haggling or huge buying power causes manufacturers to trim every fraction of a cent from their cost they will resort to extreme measures in cutting costs of materials and labor.

Here are some of the things I have seen and they can be very difficult to detect:

- Brass plating instead of gold plating. It looks attractive and is in fact the preferred look in some market sectors but it is not gold and must not be described as gold. Large surveys have found that most women prefer the look of brass rather than gold because they think the brass looks more like their perception of gold. Please them with brass if you like, but don't advertise it as gold.
- Painted mild steel instead of stainless steel. It is so well done you have to scratch it to be sure.

- Thickness of plastic moldings reduced very slightly. The total weight of plastic resin saved over huge production runs can be in the tons. Reduced thickness means reduced strength. See 12.11 Regarding Prices.
- UV stabilizer is sometimes left out of plastic products unless very strongly specified and checked. Even if not regularly used outdoors, light entering a room can shorten the product's life-span in the absence of UV stabilizer.
- Mild steel components such as screws are sometimes plated to look like stainless steel, but they corrode, sometimes in a critical place in equipment.
- Items supplied as leather are often made of Polyurethane (PU) plastic, with a leather perfume added. Beware of items described as leather in advertisement headlines, but in another part of the ad, described as PU Leather, or Faux Leather.

31.3 Various Qualities in One Factory.

Having visited many factories over a wide range of industries, I know that some manufacturers have different qualities available off the shelf. The quality variation is related to price, so if you haggle you may be switched from high quality to inferior quality. Generally, the price difference is slight. For example, a pair of leather shoes with good quality leather uppers may cost \$8 to \$10, (retailing for \$120 -150), but ones with inferior quality will cost \$5 to \$7. (retailing for \$40 – 50). The retail margin will be a substantially higher % on the better quality.

31.4 In-House Quality Control (QC).

Manufacturers with ISO compliance certificates can generally be relied upon to exercise reasonable QC. Others can be tested by the simple expedient of a sample order of a quantity that would require a real production run. Single samples may be mostly handmade, in fact you might be surprised to know what products can be handmade, but a hundred or more will usually involve items being part of a full scale production run. That may apply in some cases to as few as 10 items depending on production method.

31.5 Quality Assurance Inspections.

Countless offers appear on forums from people in China who want to do quality assurance for importers. Some may be OK, but I would never try any that do not have a verifiable reputation. For that reason I suggest that if a large shipment is being organized, and the buyer wants a quality assurance inspection, it should be contracted to one of the old established European or US based inspection services, or ones accredited with the Hong Kong Accreditation Service as listed in Chapter 28 INSPECTION SERVICES.

31.6 What Should the Small Importer Do?

The best protection is a good relationship with the supplier, but that takes time to develop. For initial orders, see **In-House Quality Control** above. Always be reasonable when complaining about faults. If possible, propose a compromise that could amount to a win/win situation. For example, after providing

some proof of the fault, possibly by photographs or video, and offering to return one item for their inspection, you might suggest that rather than have both parties lose money, a discount be given by the supplier taking the form of a credit to be offset against the next order.

Once a supplier recognizes that you are a reasonable person they will take your complaints much more seriously.

Once your relationship is going well, you may propose a payment arrangement of 50% deposit and 50% on receipt of goods subject to QC. After you reach the point of ordering more than once per month try to arrange an open account as described in Ch.13.1 of my book. ***Such an arrangement gives you the greatest possible leverage when it comes to QC***, because you have the goods but have not yet paid. This power must be exercised with **great discretion and the utmost politeness**. If you can accept a small discount, offer that. If the goods are totally unacceptable, but may have some value as a cheap item to sell in bulk, make a reasonable offer to do so. Don't attempt to take advantage of a supplier – you will destroy your all-important relationship.

31.7 When You Want Better Quality.

Don't tell suppliers early in your contact that you want high quality, best quality, or superior quality. If you do they will likely quote a higher price than usual for their usual production quality. First obtain a sample and check out their standard production quality. You may be pleasantly surprised, but if the quality is not good enough for your needs it gives you a starting point in relation to quality and price.

Note exactly what the deficiencies are, set out what changes you would like made, and ask the supplier can they produce items to your new specifications. I would not ask for a price on improved quality in that communication. If they say they can meet your requirements, you could then ask them to quote to that new standard.

Bear in mind that some changes may require substantial set up costs. Plastic molding is a costly example. An injection mold can cost \$1,000 for a small, simple one to \$20,000 for a complex one. Even small changes to a plastic molding can cost a huge amount to implement.

Woven items are towards the opposite end of the set up cost spectrum. A jacquard may cost as little as \$100 and not likely to exceed \$300.

Low cost quality upgrades usually relate to a higher grade of raw material; for example, stainless steel instead of mild steel. Such quality upgrades can be surprisingly low in cost.

Try locating alternative suppliers and check out their samples in order to possibly avoid the need to carry out an upgrading procedure. A few hundred dollars spent doing this may save you a substantial amount of time and money.



32 PUBLIC HOLIDAYS

Public holidays can be a major cause of disruption to supply, and it pays to know when they occur in each country where you may be buying products.

It is advisable to plan well ahead because the month leading up to major holidays such as Chinese New Year will be very busy, and during the holiday most businesses simply close down.

Official holidays are sometimes changed, so check on sites such as timeanddate.com/ Chinese holidays are announced near the end of each year.

33

GLOSSARY OF TERMS

In this glossary, I have provided more detailed explanations than you will usually find, but it is not exhaustive. Most terms explained are those “technical” terms and abbreviations used in this report. For a more complete glossary, we suggest you inquire through the reference section of your local library. If using a Customs Broker, don’t hesitate to ask them to explain any term you do not understand.

Regarding Internationally recognized shipping terms, I only deal with the most commonly used ones. If you are quoted any terms not listed here, for the latest version, see INCOTERMS here:

en.wikipedia.org/wiki/Incoterms

This site provides good explanations.

33.1 AWB. - Air Waybill

Every shipment by air must be accurately documented to ensure that the correct goods are delivered to the consignee. The Air Waybill is provided by the airline, air freight forwarder, or Air Courier and is the supplier’s receipt for the goods, proving that the supplier has shipped them. In a similar way to a check or a mortgage, it is a negotiable document. As a result, the person in possession of it has a legal entitlement to ownership of the goods. Once you sign it, the AWB also becomes proof that the goods have been delivered. The carrier keeps track of the shipment by means of the number printed on the form. You always quote this number when you need to ask about the whereabouts of the goods. This is known as “Tracking.”

33.2 BILL OF LADING.

This document is similar to an AWB, but is for sea freight. This negotiable document signifies that the goods described have been loaded on board the nominated vessel. When payment is being made by L/C, the supplier must present his copy of the Bill of Lading, together with other specified documents such as a copy of the insurance policy, to his bank. The bank will carefully examine these documents to ensure that all conditions have been met, and they will then make payment to the supplier. This could cause a delay of several weeks before you receive the goods.

It is customary for an L/C to specify that the Bill of Lading must be “Clean On Board.” This means that you (through your bank) will not accept the shipment if there is any qualification or notation on the Bill of Lading regarding damage, inadequate packaging or any other real or perceived deficiency in the consignment.

33.3 CARRIER.

The business that is providing the service of transporting goods is the Carrier. This includes postal services.

33.4 CIP. – Cost Insurance Paid

For shipment by air, the term is CIP, but for sea shipments, it is also called CIF. (Sometimes referred to as **CI & F**) - Cost, Insurance and Freight. This means that in addition to the FOB price, insurance and freight to a designated port (airport or seaport) is included in the quoted price. When an order is being paid for by L/C, it is customary to require insurance to be included. When using Sea Freight, (CIP) insurance is ***absolutely vital***. See Marine Cover below.

33.5 CPT. – Carriage Paid To

For sea shipments, it is called **CFR (formerly known as C&F)** – Cost and Freight. Same as the old CIF except that ***insurance is not included***. The supplier's liability ends once the goods are delivered to the carrier, whether by sea or air. If you buy on a CFR basis you are responsible for arranging your own insurance. See Marine Cover below.

33.6 DEEMED VALUE

This an amount calculated by Customs authorities in ***some*** countries to determine the value of the goods for customs duty and sales tax purposes. To arrive at this figure they add a figure, usually 10%, to your actual costs. I have heard many different explanations for this impost, but the most likely would seem to be that it compensates for the common practice of using fake invoices. The percentage rate may be varied or even removed, so ask your customs agent how the calculation for duty and sales tax is done.

33.7 EMS. - International Express Mail Service

Previously known as Speedpost, but only a few older people would still use this term. The document accompanying the parcel is the Postal Service's equivalent of an AWB and it also carries a tracking number. By using this number, you can usually track the goods via the Postal Service's website. It is important to note that consignments sent via EMS are not insured unless you have an open insurance policy See [33.14] that covers all of your shipments.

33.8 EXW. – Ex Works

This means at the supplier's loading dock. If you have a very experienced and capable freight forwarder handling your shipment, that may be acceptable terms to work with, but generally I would not accept quotes on an EXW basis. See important warning in 33.9.

33.9 FOB

Free On Board. Also known as *Freight On Board*. Strictly speaking it means until the cargo being load on the ship crosses the ships rail around the deck.

This means all freight and other charges to the point of loading have been included in the quoted price. If the supplier quotes FOB factory, that means loaded on transport at the place of manufacture. If you receive such a quote, ***make sure that you ask what freight and*** other charges will be involved in transporting the goods to the airport or seaport, because ***there will be extra charges***.

Also, beware that some Asian suppliers use the term FOB loosely, allowing you to think it is a normal FOB quote, but in effect it is FOB factory. This is probably because they make money on inland charges. For example, if they have a factory in mainland China, but their export office is in Hong Kong, they will incur costs in shipping the goods to Hong Kong and they may want to pass these costs on to you at a profit. If they quote FOB, be sure to ask if there are any additional inland charges. Exporters from China pay various charges that they will pass on to you, so you need to know what is included and what is not.

Note: The supplier's liability ends once the goods are delivered to the carrier. If quoted FOB factory, that is really EXW and means effectively that their liability ends at their loading dock and you take any risks for loss or damage from that point, as well as all costs beyond that point.

33.10 FORMAL ENTRY

The process of lodging documentation required for clearance through Customs of shipments above a certain value. For novices stuck with puzzling paper documents, in which it is essential to complete ***every tiny detail with absolute accuracy***, this is a difficult and complex task. Customs Brokers do it electronically in a matter of minutes.

The shipment value for which a Formal Clearance becomes necessary varies from country to country and from time to time, but at the time of publication is usually in the \$1,000 to \$2,000 range, although in the case of certain goods such as clothing, it may be as low as \$250. If the shipment value is below the rate set by your Customs office, an ***informal entry*** will be allowed. This is not very complicated. Once you have seen it done once or twice you could probably handle it yourself.

In the case of low value shipments arriving by mail, the Postal Service in some countries such as USA, New Zealand and Britain will carry out the informal entry for you at no charge. (See Chapter 3 - Rules and Regulations under the heading: ***“Another way to avoid a lot of red tape”***). In Australia, you must still lodge the informal entry yourself, and this can cause delays because you must either personally attend the customs office, (often located at a postal depot,) or lodge via fax or email.

33.11 L/C (Sometimes, but rarely, referred to as LOC) - Letter of Credit

This is a negotiable document provided by a bank. It is customary for the importer to pay the bank in advance for an L/C, but under some circumstances, banks will issue an L/C on a credit basis. The L/C specifies ***precisely*** what is being ordered and all terms and conditions of the sale must be included. Prepare your precise product specifications plus order conditions before ordering. All of these should be included in your order and in an L/C as the conditions to be met by the supplier. Anything not included cannot be enforced

After providing proof that the conditions have all been met, the supplier can then negotiate the document

through his bank. This usually happens very soon after shipment leaves port, and that can be long before you receive the goods.

33.12 MARINE COVER

Also referred to as a Special Marine Policy or Marine Certificate of Insurance.

The terms Special Marine Policy and Certificate of Insurance are used interchangeably in Commercial Marine insurance. Certificates are utilized when exporters must furnish evidence of insurance to customers, to banks or to other third parties in order to permit the collection of claims abroad. The original and duplicate copies of these forms are negotiable instruments, which will enable a consignee or a bank to make a claim overseas, if the goods are damaged in transit.

It is customary for the party arranging the shipping to also arrange the insurance. It may be you, your supplier, or your freight forwarder. If you intend arranging your own insurance you might try Chubb, which is one of the big insurers, having been acquired by ACE Ltd, in 2016 acegroup.com/us-en/ ACE are underwriting managers of a Lloyds syndicate. If they can't or won't handle your insurance needs direct you can use their website to find one of their agents or an insurance broker who handles marine insurance.

For shipments by sea freight it is necessary to obtain cover for at least 110% of the invoice value of the goods. The Institute of London Underwriters requires that the goods be **insured for 110% of the contract value** under at least the minimum cover of the Institute Cargo Clauses. ACE or their brokers will make sure that your policy complies.

33.13 OPEN ACCOUNT

This refers to an arrangement made that you may make payment to your supplier on or after delivery.

33.14 OPEN INSURANCE POLICY

An open insurance policy is taken out if you want to provide cover for all air and road shipments throughout the year with the exception of shipments covered by a Marine Policy. (Strangely, it may sometimes be referred to as a Marine Policy; even though the goods travel by air or road.) Insurance companies will usually require an estimate of the total annual value of your shipments and will base their premium on that figure. At the end of the year, the actual total must be declared and the premium will be adjusted accordingly. If you have seriously under-declared you will be penalized.

33.15 PROFORMA INVOICE. (Sometimes called a PI)

This is an invoice that amounts to a confirmation of quoted prices, sizes, weights, dispatch dates, etc. It is not the same as a commercial invoice although it may look identical except for the word "Proforma." It cannot be used to clear goods through Customs. A **Commercial Invoice** must accompany the goods so that you or your Customs Broker can effect clearance through Customs.

33.16 SCHEDULE RATES.

This refers to a rate chart published by the carrier. In the case of postal services, it is not subject to negotiation and you will always pay that rate. In the case of commercial carriers, it is the absolute maximum rate, which is only paid by people who are ignorant of the process.

Schedule rates are rarely charged in normal business with freight companies, but anyone who has not negotiated a lower rate *in writing, in advance*, will pay that maximum rate. Discounts of at least 50% are usual when negotiating rates in advance, but often it will be even more.

One of my readers recently reported being granted a 65% discount with little persuasion on his part.

33.17 TRACKING NUMBER

See AWB and EMS.

ADDENDUM

Done-for-You China Importing Service

Overwhelmed at the thought of importing from China - figuring out which suppliers to trust and use? Wonder how to assure the quantity and quality of the products you order? Guided Imports will handle all aspects of your company's operations in China. They will locate the most qualified and reliable suppliers capable of manufacturing your products and then manage everything on location in China. Let Guided Import's experienced agents handle it for you at an affordable price. [Learn more here.](#)

© 2017 Walter Hay